



**TESTIMONY OF HASAN IKHRATA,
EXECUTIVE DIRECTOR
Southern California Association of Governments**

**HOUSE TRANSPORTATION &
INFRASTRUCTURE COMMITTEE
PANEL ON 21ST CENTURY FREIGHT TRANSPORTATION**

**Regarding
“How Southern California Freight
Transportation Challenges Impact the Nation”**

May 30, 2013



**SOUTHERN CALIFORNIA
ASSOCIATION of GOVERNMENTS**

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Chairman Duncan, Congressman Miller, Distinguished members of the panel:

Thank you for the opportunity to testify on behalf of the Southern California Association of Governments (SCAG). Our 191 cities and six counties containing over 18 million residents appreciate the Panel’s time and interest in receiving testimony regarding the freight benefits and freight challenges in Southern California.

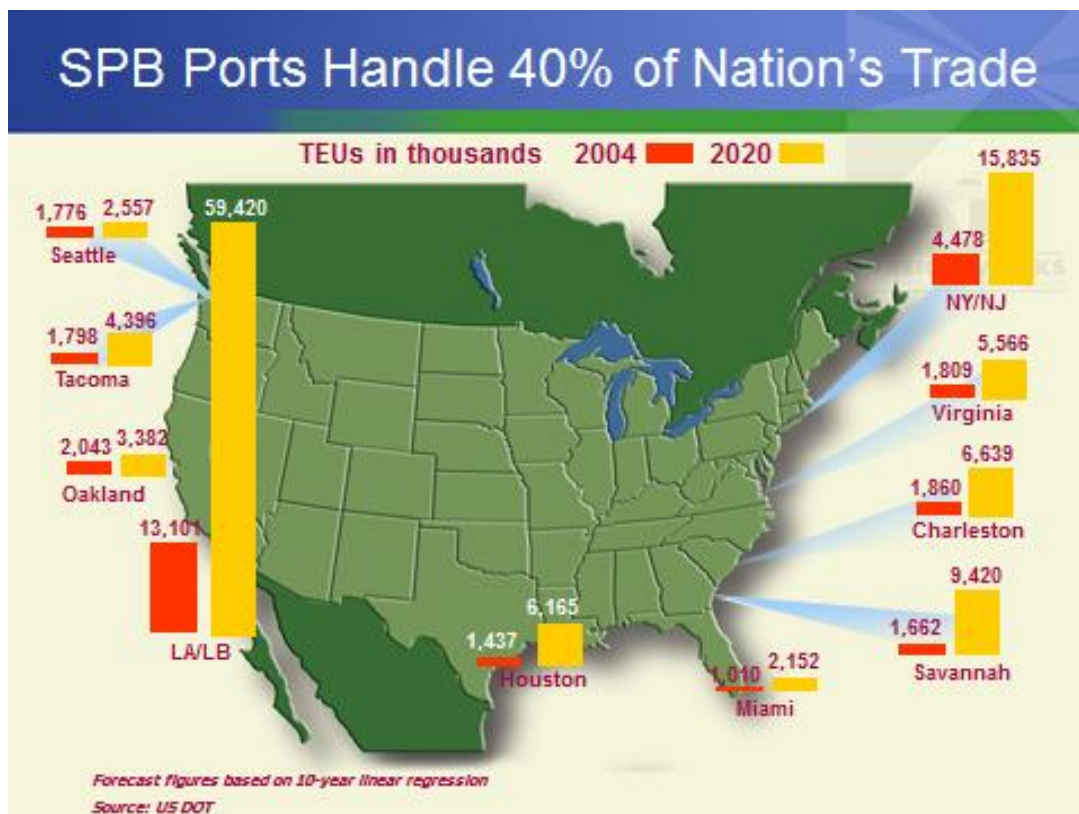
A federal partnership on freight infrastructure investment is the highest priority to the SCAG Board and our officials. Our officials and agencies applaud the congressional leadership for coming together in a bipartisan manner to pass the “Map-21” surface transportation authorization bill. We thank you for recognizing the importance of establishing a national freight policy as identified in the provisions of MAP-21.

This bold action has set the course for the work of this panel and provides a basis for future legislation that will guide planning and investment in transportation infrastructure necessary to support trade and move goods throughout the country. This is critical to ensure that our nation will continue to be competitive in the 21st century global economy. SCAG is a founding member of the DC-based national Coalition of America’s Gateways and Trade Corridors (CAGTC) who has been an active supporter of this panel’s freight goals. The CAGTC coalition, which includes our ports and transportation agencies along with many other ports and freight agencies across the nation, support your panel’s efforts.

Our agency, along with our partner agencies in Southern California has focused tremendous effort on developing comprehensive regional strategies to support our national freight system. It is a privilege to have the opportunity to appear before this distinguished panel to speak about our freight transportation system needs that have direct impacts upon the economic health and quality of life in each of your districts and the entire country. My testimony today will specifically focus on our regional freight transportation plan and highlight the economic importance of a national investment strategy in gateway regions like southern California.

SOUTHERN CALIFORNIA'S FREIGHT TRANSPORTATION SYSTEM & ACCESS TO INTERNATIONAL TRADE GATEWAYS

As the nation's largest port complex and premier trade gateway, the ports of Los Angeles and Long Beach handle 40% of the nation's containerized shipments, with over \$336 billion in cargo value traversing the ports in 2010 alone. This is more than the GDPs of many large countries – for example, Portugal, Israel, Denmark, Hungary, Finland, Ireland, and others.



In 2012, over 12 million twenty-foot equivalent units – or TEUs – passed through these ports. Historic growth patterns indicate that volumes will triple by 2035, meaning that by then over

42 million containers are expected to move through these two ports and our region to serve national consumer demand. In addition to these two powerful economic engines, Southern California also hosts the niche port of Hueneme which specializes in the export and import of automobiles and agricultural products valued at \$7 billion in 2012.

Southern California also supports the movement of high-value, time-sensitive cargo through several commercial air carrier airports with the world's fifth busiest airport- LAX – handling \$78 billion in trade in 2010. Finally, Southern California also hosts international border crossings with America's third largest trading partner – Mexico – with cargo valued at \$35 billion, including San Diego County, moving across the border in 2012.

Combined, our region's seaports (the ports of Los Angeles, Long Beach, and Hueneme); International airports (LAX and Ontario), and commercial land border crossing (Calexico East – Mexicali II) make very significant contributions to the economy. These include:

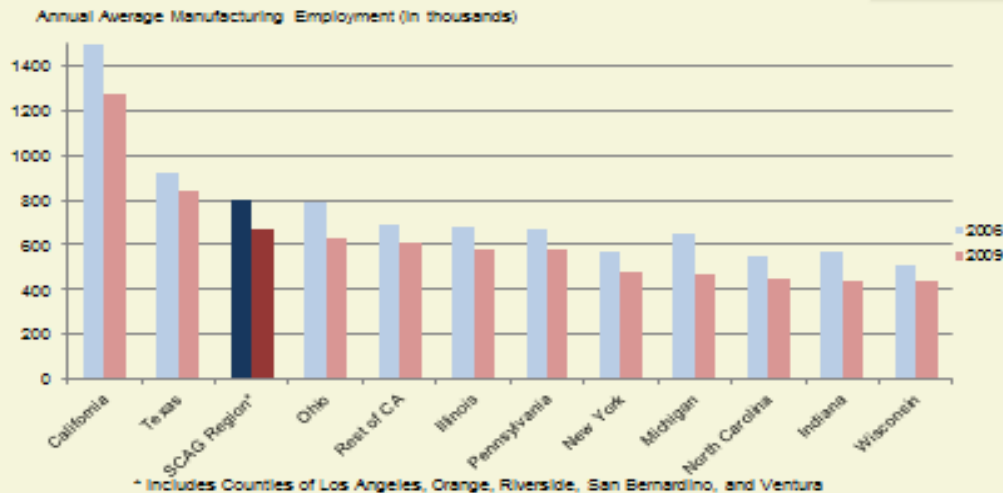
- Over 60,000 direct jobs at the ports, airports and border crossings;
- More than 1.6 million trade-related jobs throughout the region; and
- Over \$30 billion annually in local, state, and federal tax revenues

FREIGHT TRANSPORTATION SUPPORTS CRITICAL REGIONAL & NATIONAL INDUSTRIES

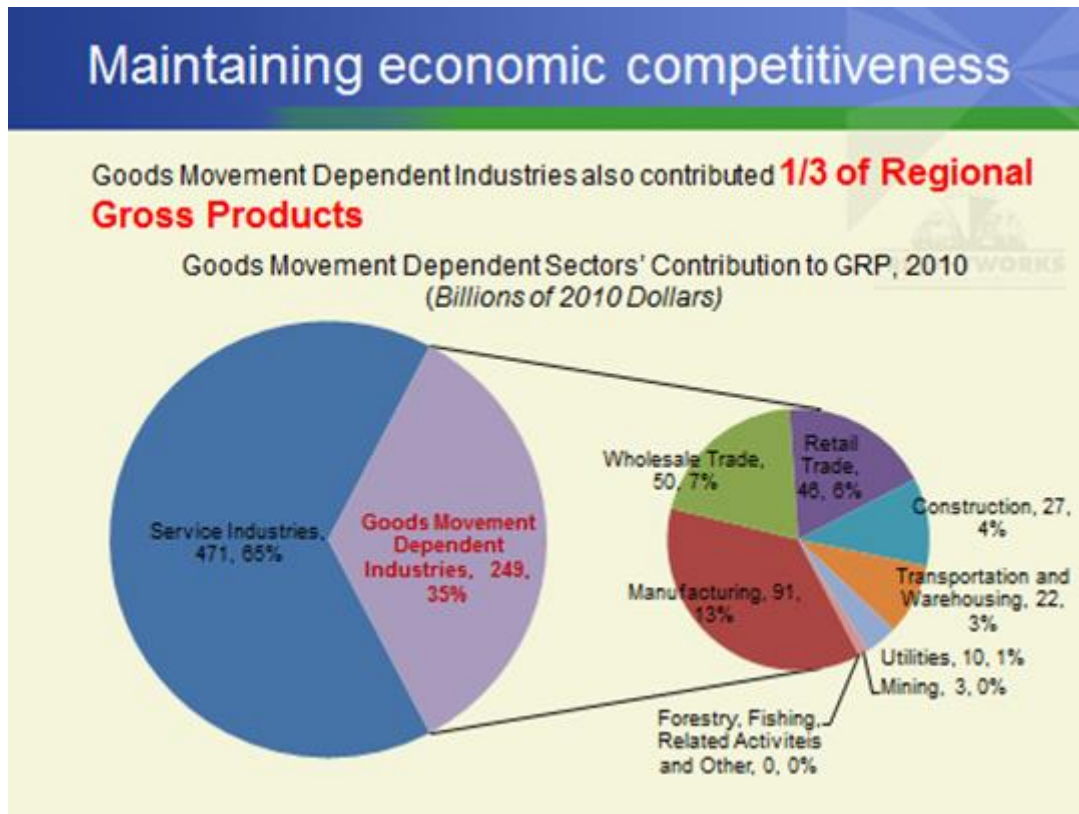
While the importance of our gateway region in connecting consumer goods manufactured in Asia and destined for U.S. markets has been well documented, the overall importance of our regional transportation system in supporting the flow of goods farther inland and serving the needs of critical industry clusters throughout the nation – continues to grow. As the third largest manufacturing center in the country (trailing only the states of California and Texas as a whole), our region is home to a vital element of the national economy that must be sustained to ensure prosperity. Even in today's era of global sourcing, domestic manufacturing remains a cornerstone of the economy.

Goods Movement Supports Regional Manufacturing

- SCAG region is the **third largest manufacturing center** in the country



In addition to manufacturing, several other critical industries reside in the SCAG region, including retail trade, wholesale trade, construction, and transportation and warehousing. These industries, so critical to the economic health of the U.S., are heavily dependent upon complex supply chain systems and associated infrastructure. The logistics industry relies significantly upon the extensive warehousing and distribution clusters in Southern California to serve the entire country. Home to nearly 1 billion square feet of warehousing space, the SCAG region contains warehouse space that is larger than the entire land area of Miami. Collectively, these goods movement dependent industries rely upon our transportation system to support international and domestic trade, as well as local delivery of consumer goods. In our region, these industries account for a third of all jobs and a third of our gross regional product (GRP). This translates into 2.9 million jobs and \$249 billion of GRP.



EXISTING CONDITIONS AND FUTURE NEEDS

The goods movement system in the SCAG region is a complex series of interconnected infrastructure components that must operate as whole to serve the region and the nation. Together, the seaports, airports, highway and rail system access to key goods movement centers within the region, connections to markets and suppliers, and the quality of intermodal connections make the SCAG region an attractive center for goods movement activities. These critical infrastructure assets share capacity with passenger traffic and are owned and operated by a mix of public and private sector entities.



Our region's warehouse and distribution space is located along major East-West freight corridors. Considerable concentrations of manufacturing facilities are also located along these corridors. Additionally, the region's extensive rail network is a critical link in the supply chain that provides shippers the ability to move large volumes of goods over long distances at lower costs and lower emissions per ton-mile than other transportation modes. With over half the international cargo arriving at the San Pedro Bay ports utilizing rail, dramatic growth in port-related traffic will be the most significant driver for increases in mainline and intermodal terminal capacity in our region. As railroad traffic increases, grade crossing delays are also expected to increase by an average of 269% for all rail lines combined by 2035

OUR REGIONAL FREIGHT TRANSPORTATION PLAN

Building on almost two decades of work to develop and understand the role and needs of goods movement in Southern California, our regional freight transportation plan identifies nearly \$60 billion in capital investment needs to support business access to transportation services and facilities. This federally approved freight infrastructure investment plan of projects through 2035 is supported by the 191 cities and six counties, transportation agencies, and

environmental communities as a blend of freight investments that mitigate impacts to communities adjacent to the freight corridors, elimination of key freight congestion chokepoints and capacity expansion to remain globally competitive.

We target investment in key corridors to support critical industry clusters. Examples include a dedicated, clean technology truck lane system that connects concentration of goods movement activity, supported by a program to resolve truck bottlenecks on the region's major truck corridors.

Our freight transportation plan also ensures that Southern California will continue to be a leading trade gateway, serving the Pacific Rim and Mexico, by supporting capacity improvements in the marine terminals, intermodal terminals, railroad mainlines, and roadway access routes to the seaports, airports, and international land border crossings.

OPPORTUNITIES FOR NATIONAL FREIGHT FUNDING

It is critical that any effective strategy addressing freight transportation challenges must include a national freight policy focused on the establishment of a dedicated, predictable, and enhanced revenue source, or combination of sources, that augments – and not supplants – existing funding. An enhanced revenue program for freight should be used solely for the nation's freight transportation infrastructure system. While recent federal financing tools such as the expansion of the TIFIA Loan Program and grant programs like TIGER have been promising, they currently represent a modest solution to a national freight investment plan, if the United States is to remain globally competitive. If there is to be a true national freight strategic plan, a significantly more robust federal freight funding partnership role is going to be necessary. CAGTC has determined an annual federal freight funding conservative goal of \$2 billion a year. Our agency supports that federal freight funding infrastructure conservative goal and requests that the panel consider the national economic implications if America does not keep pace with other countries who are investing in their freight infrastructure to compete with the United States.

IMPORTANCE OF INVESTING IN U.S. INFRASTRUCTURE

Southern California alone is the 16th largest economy in the world. As I mentioned, over one third of the gross regional product directly relies upon the regional transportation network. However, the infrastructure that comprises this crucial transportation network is deteriorating. The World Economic Forum's Global Competitiveness 2012/2013 report ranks the U.S. infrastructure just 14th in the world. That ranking is down from its 7th place ranking just five years ago – underscoring the multiplier effect that decades of underinvestment in our infrastructure system has caused. According to the American Society of Civil Engineers, America's infrastructure has a cumulative grade of "D+", with needed investment estimated at a staggering \$3.6 trillion by 2020. For perspective, that is more than the entire U.S. budget expenditure of \$3.5 trillion for FY 2012-12, and over \$1 trillion more than the total revenue of approximately \$2.4 trillion taken in by the U.S. Government for the year.

CONCLUSION

As I know this panel has heard repeatedly, first, the systemic Highway Trust Fund imbalance must be fixed – whether through user fees, enhanced, and/or indexed fuel tax increase, tolls, pricing, or any combination of measures, we cannot continue to deficit finance our nation's infrastructure just to barely maintain status quo.

Secondly – and this is critically important to our nation's economic future – the freight infrastructure network of the United States should have a separate, dedicated funding source that is in addition to, not in lieu of, the existing funding framework. If we fail to do this, not much of what I have said here matters, and future generations will suffer the consequences.

Thirdly, recognizing that we will not be able to secure funding sufficient to address all of the nation's freight infrastructure needs, we know we must show the public that we maximize every dollar. Transportation projects face many hurdles to faster project delivery methods, including funding availability challenges, environmental review process issues, and other process uncertainties such as agency coordination. Many opportunities exist for transportation project delivery streamlining. We applaud the changes for accelerating project delivery included within MAP 21. We believe more can be done. According to our state transportation agency (Caltrans), the average major transportation project takes 17 years to complete. SCAG

engaged independent prominent economists from throughout the SCAG region to analyze the economic benefits from implementing our recently adopted Regional Transportation Plan forward by 5 years faster. The economic team developed methods to analyze the impacts to the regions. The result was a decrease in construction cost by \$1.25–1.95B, 5–9% of construction cost, per year and creating nearly 300,000 jobs from construction, enhanced economic competitiveness, and road safety and system preservation. Working with the panel and the Committee, we support additional efforts to build projects faster.

With limited federal resources, we suggest that these scarce federal resources be deployed resources as efficiently and meaningfully as possible. To that end, we suggest that selection of projects for which federal freight financing is allocated should be done through a competitive, grant process that is performance based, rather than by formula.

Lastly, I encourage this panel and the full committee to consider all potential sources of funding and leveraging opportunities at all levels from both the public and private sector such as America Fast Forward Transportation Bonds and other financing tools. As well as consider supporting H.R. 974, the MOVE Freight Act of 2013, which would establish a competitive grant program to provide financial assistance for capital investments that improve the efficiency and safety of the national transportation system to move freight and mitigate the system's adverse impacts on local communities. H.R. 974 is cosponsored by Reps. Sires, Hahn, Napolitano, Schiff and Lowenthal and supported by CAGTC. Moreover, innovative approaches such as the one contemplated by the recently introduced Partnership to Build America Act by Congressman Delaney to repatriate U.S. corporations' overseas capital to invest in U.S. infrastructure under advantaged tax status should be considered.

We suggest that all funding options should be on the table for deliberation because we are nearing a tipping point in the global competitive market. We need to continue the work begun under MAP-21 to repair our transportation infrastructure network by making the necessary investments today to secure the nation's prosperity for tomorrow.

Thank you very much for your consideration of my testimony and including me in your important hearing today. I look forward to responding to questions at the hearing.