



IANA
INTERMODAL ASSOCIATION
OF NORTH AMERICA™

The Written Statement of

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on behalf of
The Intermodal Association of North America

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Senate Committee on Commerce, Science, and
Transportation Subcommittee on Transportation and Safety
United States Senate

"Connecting America: Examining Intermodal Connections
Across Our Surface Transportation Network"

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INTRODUCTION

Thank you, Chairman Fischer and members of the Subcommittee on Transportation and Safety for the opportunity to speak on the subject of intermodal stakeholders across the transportation system. My name is Dr. Noel Hacegaba and I am the Deputy Executive Director responsible for administration and operations at the Port of Long Beach. Since joining the Port in 2010, I have also served as Managing Director of Commercial Operations and Chief Commercial Officer and successfully managed the Port's commercial activities during a period of significant industry realignment and collaborated with customers and industry partners to optimize the supply chain. I also led the swift recovery of our largest container terminal operation when it was impacted by the biggest bankruptcy in shipping line industry history.

I am here today on behalf of the Intermodal Association of North America (IANA), where I serve as a member of its Board of Directors and chair of its Policy Committee. IANA consists of more than 1,000 corporate members including railroads, ocean carriers, ports, intermodal trucking companies, over-the-road highway carriers, third-party logistics companies and suppliers to the industry.

As a significant player in the effort to improve the efficiency of goods movement, IANA is the only organization that represents the combined interests of the intermodal freight transportation industry. IANA's mission has been to promote the growth of efficient intermodal freight transportation through innovation, education and dialogue.

BACKGROUND

I have the distinct privilege of working at the second busiest seaport in the United States, which serves as a major gateway for U.S.-Asia trade. The Port of Long Beach is an innovative provider of state-of-the-art seaport facilities and services that enhance economic vitality, supports jobs and improves the quality of life and the environment. As a major national economic force, the Port supports more than 51,000 jobs in Long Beach, 576,000 jobs throughout Southern California and 2.6 million jobs across the United States. In 2018, the Port of Long Beach moved more than 8.1 million twenty-foot

equivalent units (TEUs) of cargo, also known as containers. Cargo moving through the Port of Long Beach accounts for nearly 33 percent of the containers moving through U.S. West Coast ports, and nearly 1 in 5 moving through all U.S. seaports.

Combined with our neighbor, the Port of Los Angeles, both ports comprise the San Pedro Bay, the busiest Port complex in the nation and the ninth-busiest in the world. Together, the two ports moved \$400 billion in containerized trade, representing more than 17 million TEUs in 2018. This includes almost 40 percent of the nation's imported cargo. A 2011 report commissioned by both ports and the Alameda Corridor Transportation Authority found that cargo moving through the San Pedro Bay Port Complex made its way to every Congressional district in the continental United States. As a result of the cargo volume moved through this complex and transportation-related activities, it is critical to invest in intermodal connectors that move cargo more efficiently.

The Port cannot do this work alone. For us to be successful, it requires working collaboratively with shippers, steamship lines, railroads, trucking companies and logistics providers. Intermodal by its nature is complex, and it requires all stakeholders to work together to move freight in an efficient and timely manner.

INTERMODAL TRANSPORTATION OVERVIEW

Currently, the intermodal industry in the U.S. includes five Class 1 railroads, 46 shipping lines, more than 7,000 trucking companies and over 10,000 third-party logistics companies. In 2018, intermodal volumes increased 5.6 percent over 2017 -- the strongest growth in five years. By segment, import container traffic increased 5.4 percent while domestic container traffic increased 4.9 percent. This growth is attributed, in part, to the decision by shippers to advance the movement of imports from China in an effort to avoid tariff increases.

There are 1,274 intermodal facilities and 185 seaports in the United States that handle import and export cargo. Of note, a Port complex like the San Pedro Bay has multiple marine terminals in operation that work directly with the shipping lines, Class 1 railroads, trucking companies and distribution centers. The advent of "mega-ships,"

some that carry as many as 18,000 TEUs, has put more stress on intermodal terminals, roadways, bridges and rail infrastructure. Increased cargo volumes off-loaded at marine terminals in many port complexes have created backlogs of containers, which has led many ports to look at ways to improve cargo efficiency and freight infrastructure. Similar circumstances arose in 2018 at inland intermodal facilities.

Increasing the reliability of delivery and developing smooth pathways for the movement of freight is important to the continued growth of the U.S. economy. Investment in intermodal connectors -- the links that facilitate the transfer of freight between modes -- is a major part of the solution to congestion. The use of on-dock and near-dock rail is also an important transportation option used to alleviate port congestion and to help maintain freight velocity on the intermodal network. On-dock rail is the ability of terminal operators to place containers onto rail at the terminal site, while near-dock rail allows for cargo to be moved to adjacent locations and placed on rail for transportation to inland ports. Both on-dock and near-dock rail have helped to significantly reduce terminal congestion and also to alleviate emissions from trucks.

Currently, the Port of Long Beach is investing over \$1 billion to improve on-dock rail capacity, making it a top priority as we pursue a goal of moving 35 percent of all cargo by rail. Planning and designs are underway for the Pier B On-Dock Rail Support Facility, which aims to reconfigure, expand and enhance an existing rail yard. Specifically, this project will remove rail bottlenecks in the Port and create a rail hub between the Port of Long Beach and the Alameda Corridor, which serves rail access to the region and across the nation. The project will allow trains up to 10,000 feet long to be loaded and unloaded at on-dock rail yards at marine terminals to streamline rail operations, ease roadway traffic congestion and improve air quality as cargo volume grows.

In 2011, the Port of Long Beach received a \$17 million grant from the Transportation Investment Generating Economic Recovery (TIGER) fund for the Green Port Rail Gateway rail enhancement project. This project enabled us to add a third rail line, helping to remove bottlenecks on the existing mainline track to allow Port terminals

to shift cargo from trucks to trains, which decreased local traffic congestion and air pollution. It also included the demolition and removal of existing tracks, laying of 29,000 feet of new tracks and building of 6,000 feet of retaining walls. These improvements help to minimize derailments and optimize rail traffic flow. This nationally significant project created 340 construction jobs and will allow the Port of Long Beach to better achieve its goal of increasing on-dock rail use. The ability of U.S. seaports, like Long Beach, and other stakeholders in the intermodal supply chain, to improve the flow of freight through intermodal connectors and to handle current and future trade volumes, will depend on significant federal infrastructure investments.

TRANSPORTATION FUNDING NEEDS

Freight transportation is the backbone of the American economy. The increasing volume of goods moving through U.S. ports and throughout the intermodal freight network each year creates additional strains on the supply chain. It is estimated that U.S. businesses pay \$27 billion each year in extra freight costs due to congestion and outdated facilities. It is also estimated that it will cost \$3.7 trillion in order to meet all of the infrastructure needs of the freight supply chain. New capital investment in freight transportation infrastructure will lead to significant benefits including higher productivity, improved freight velocity, enhanced global competitiveness and a higher standard of living for the citizens of our nation.

The Port of Long Beach is in the midst of a 10-year, \$4 billion capital improvement plan (CIP), the most comprehensive modernization program of any port in the nation. In Fiscal Year 2019, nearly \$700 million has been budgeted for capital projects, which comprises 71 percent of the total \$982 million budget. The road improvements, rail enhancements, terminal redevelopments and bridge replacements in the CIP underscore the Port's commitment to moving cargo efficiently and remaining competitive. Integrated planning and funding that addresses the end-to-end needs of freight movement will be critical to developing comprehensive regional and statewide plans to improve the nation's infrastructure system. The Fixing America's Surface Transportation (FAST) Act authorized surface transportation programs through Fiscal

Year 2020. The FAST Act was critical for the intermodal system because it looked to: expand funding; streamline the environmental review and permitting process to accelerate project approvals; promote the deployment of transportation technologies and congestion management tools; and expand port eligibility in the Congestion Mitigation and Air Quality Improvement Program.

In addition, discretionary grant programs like Better Utilizing Investments to Leverage Development (BUILD), Consolidated Rail Infrastructure and Safety Improvements (CRISI) and Infrastructure for Rebuilding America (INFRA) have provided much-needed opportunities to fund freight-related projects. Furthermore, innovative financing options like the Transportation Infrastructure Finance and Innovation Act were instrumental in helping to fund the Port of Long Beach's \$1.4 billion Gerald Desmond Bridge Replacement Project.

It is recommended that the Committee continue to support the development of a comprehensive freight policy that not only addresses funding for and improvements to the nation's roadway, rail and bridge infrastructure system, but also allows for significant investment in projects not directly related to highways. A major aspect of the comprehensive plan should include removal of the \$500 million cap on intermodal freight funding in the next federal transportation reauthorization legislation. Such a cap limits the ability to fund significant intermodal projects at the levels that are needed. In addition, IANA, as well as the Port of Long Beach, support fully funding freight provisions and opportunities for U.S. seaports to apply for formula and competitive multimodal freight grants.

In particular, IANA strongly recommends the following items to improve the intermodal freight transportation system: developing dedicated funding for intermodal freight connectors; building additional freight rail infrastructure; fuel tax increases to fund freight projects; enhancing public/private partnerships that improve and expand infrastructure; and the formation of a multimodal freight office that would report to the Secretary of Transportation.

IANA also believes intermodal project permitting reform is needed. Existing permitting regulations can cause significant delays in the construction of transportation projects, more than double their cost and prevent their timely completion, the results of which hinder improvements that increase system fluidity. Reforms are needed to reduce timelines for infrastructure projects, as they can help to address bottlenecks on the nation's freight network while also reducing total project costs, which would result in the ability to fund more projects. Reviews should be streamlined and Federal agencies should coordinate more effectively, particularly for large, intermodal projects that traditionally require the approval of multiple modal administrations.

We believe that if Congress takes action on the above items, it will help demonstrate to the freight industry that our government understands and supports the important role freight plays in our economy and our global competitiveness. We also believe it will send an important message to the private sector to enable additional capital investment to seed further enhancements to the intermodal network.

INFORMATION SHARING

In addition to federal investments in the national intermodal transportation system, improving information sharing throughout the supply chain will help to improve system productivity and efficiencies. IANA and its members have been a strong supporter of leveraging technology investments and innovation to enable and enhance information sharing among all stakeholders in the intermodal supply chain.

As an example of this, the Port of Long Beach recently collaborated with GE Transportation to conduct a pilot demonstration of its port information portal. This portal is a cloud-based software program that has the potential to enhance supply chain performance and predictability by delivering real-time data-driven insights through a single portal to stakeholders across the supply chain. Integrating data from across the port, combining machine learning and deep domain expertise, Port Optimizer™ is a tool that could help the supply chain monitor and respond to dynamic conditions, align

people and resources and proactively communicate across functions -- enabling maximum port cargo flow and delivery performance.

Another example of how intermodal stakeholders are leveraging technology to improve information sharing and, ultimately, port operations is the pairing of predictive analytics with terminal truck appointment systems. Such systems allow trucking companies to schedule appointments for container pick-up up to five days before a ship arrives at the terminal. This advanced visibility enables terminals and trucking companies to optimize their operations. The goal of these programs is to increase supply chain performance.

TRADE AND TARIFFS

The intermodal supply chain delivers vital goods and services to consumers, creates millions of jobs and supports national economic growth. By volume, 99 percent of U.S.-overseas cargo travels via seaports. The Trans-Pacific Trade route, of which Long Beach is a vital part of, is the most significant trade route in the United States.

U.S. seaports are facing increased competition from Canada and Mexico, which have each developed effective national strategies to serve America's heartland. Freight stakeholders in Canada and Mexico are aggressively working with their governments to attract more cargo moving to and from U.S. markets. Additionally, Canada has a multi-jurisdictional freight partnership with significant federal funding committed to addressing the competitiveness of two ports on each coast. Significant investments must be made in ports and across the intermodal network to rehabilitate constrained and dilapidated infrastructure and also implement environmental improvements. We need to have a national freight strategy and also work more collaboratively with our neighbors to the north and south to ensure we have a seamless freight system that effectively services the needs of the citizens of all three countries.

Investing in the nation's freight transportation infrastructure is critical to increasing trade through America's major gateways. Multimodal freight investments must be a key priority to improve landside connections to seaports and enhance global competitiveness.

Increased funding for infrastructure projects, including intermodal facilities, will provide intermodal stakeholders and their customers with the speed, reliability and reduced costs they need to succeed and keep U.S. jobs. Trade and tariff policies that maintain U.S. competitiveness in the global economy, as well as legislation and regulatory efforts that will increase exports and promote trade, will be key to improving the nation's intermodal system.

With respect to tariffs, while affecting a relatively small share of trade, they have the potential to disrupt supply chains, investment and employment, particularly in Southern California and other ports where the goods movement industry is a vital part of the local and regional economy.

CONCLUSION

IANA thanks the Committee for the opportunity to share information about critical industry trends, federal funding opportunities, information sharing technologies and recommendations regarding the U.S. intermodal freight industry. A highly functioning freight system requires modes to work together seamlessly. IANA and its members, like the Port of Long Beach, stand ready to work with members of the Committee and its staff to develop innovative legislative, policy, funding, and infrastructure development solutions to improve the nation's intermodal system.