



***Intermodal Recommendations to  
Secretary Norman Y. Mineta***

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Marine Transportation System National Advisory Council  
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MTSNAC Intermodal Recommendation to Secretary Norman Y. Mineta

This report has been prepared by the Maritime Transportation System National Advisory Council (MTSNAC) for the Secretary of Transportation. The findings and recommendations in this report are based on data extracted from reports and studies previously undertaken by both the public and private sectors over the past four years. As challenges facing the U.S. intermodal transportation system are well documented, we have relied upon existing studies, which have already articulated various valuable proposals regarding a national freight policy, and have outlined specific initiatives to address the system's capacity shortfall now and in the future.

This report acknowledges the urgent need for a comprehensive national freight policy and it makes recommendations which might contribute to deliberations relating to such a policy. *However, this report primarily concentrates on specific short-term actions that can be taken to address waterborne freight with prior-or-subsequent inland movement.*

Unique hurdles facing MTSNAC, as it fashions solutions to intermodal, include the variations in transportation infrastructure across the country, the range and diversity of local needs, and the complicated rules of ownership and operations inside the nation's transportation infrastructure. The public sector owns the nation's waterways and the highways; the private sector (or a combination of public and private sector) has invested in and owns much of the port and rail infrastructure and the truck and maritime capacity. Shippers own the cargo, and they dictate its delivery place and time. As a result, several observations can be made right at the outset of this report.

*Specific solutions to the unique needs of different geographic areas will partially drive any study of intermodal.* What is needed in one port region may not be what is needed in another port region. Additionally, both the private sector and the public sector play roles in the process. Together, they must pursue the national objective of connecting to -- and competing in -- the world economy.

*The private sector must continue to invest in its part of the transportation infrastructure.* It also must develop and implement programs to reduce congestion on the nation's highways and railways, and within port and inland terminal facilities. Extending marine terminal gate hours, reducing cargo free time, transporting cargo during non-peak hours, and using technology to improve efficiency, are all programs initiated by the private sector, which must remain in place and expand in use wherever appropriate.

*The public sector must encourage private investment, and make the necessary government investment in public infrastructure.* It must take a long and systemic view which anticipates national and regional capacity needs, fosters planning and, where needed, provides incentives for investments by public and private stakeholders. This report will focus on recommending necessary measures to the Secretary of Transportation to assist the private sector in this effort, and on prioritizing transportation infrastructure improvement projects.

## **Introduction**

Efforts of the Secretary of Transportation to highlight the importance of freight movement to the U.S. economy and its consumers has been reinforced and well documented in a number of national studies:

America depends on international trade that is imported and exported in marine containers. Our farmers find customers in foreign lands, our manufacturers use parts, raw materials, and inputs that come from the four corners of the globe, and sell their finished products to customers here and abroad. American brand names depend on supply chains that stretch globally, and reach consumers around the world with their American presence. And the domestic retail industry--which provides American consumers with the best quality, price, and selection anywhere on Earth--depends on trade for everything from fresh produce to hand tools.<sup>1</sup>

Still, transportation's value is not widely understood by the American public.

While the importance of freight transportation to the national economy has never been in doubt, the true magnitude of the nation's dependence on a reliable, cost effective system for the distribution of goods is not well understood by the majority of people. It is said that "freight doesn't vote," yet the international movement of containerized goods represents almost a trillion dollars in value passing through the U.S. ports. This value enters the economic system as the "raw material" for the retail sector or as "extended factory" supplying critical components to the manufacturing sector. At the same time, a cost effective and efficient intermodal system is crucial to U.S. companies that depend on exports to foreign markets for their markets.<sup>2</sup>

## **The Numbers**

- In 1970, foreign trade was 10.7% of U.S. gross domestic product (GDP.) By 2002, it had grown to 26.9% of GDP.
- From 1990 to 2000, the value of international trade more than doubled (in inflation adjusted terms) from about \$900 million to \$2.2 trillion, of which approximately \$700 billion is containerized, manufactured goods.
- About half of international commerce serves America by water, mostly in marine containers. In 2004, 25.2 million TEU (twenty-foot equivalent units) of exports and imports traveled through America's ports; 50% was handled by West Coast ports (12.7 million TEU), 43% by Atlantic seaboard ports (10.7 million TEU), and 7 percent by Gulf ports (1.7 million TEU).
- The U.S. DOT's Federal Highway Administration predicts that the United States will experience an overall doubling of international freight by 2020. As a result, in less than 20

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<sup>1</sup> *Marine Container Transportation System White Paper*, The Waterfront Coalition, Washington, DC, May 2005.

<sup>2</sup> *Trade and Transportation, A Study of North American Port and Intermodal Systems*, U.S. Chamber of Commerce, Washington, DC, March 2003.

years, U.S. ports and related infrastructure must be capable of handling more than 50 million TEU's per year.

### **The Challenges**

A number of studies have identified the numerous capacity challenges facing the nation's ports and domestic freight movement system.

Transportation was a catalyst as the United States evolved from a 19th century agricultural economy, through the 20th century industrial economy, and into a 21st century service and global economy. However, America's long and successful ride to prosperity is threatened by a transportation infrastructure incapable of meeting future requirements. The interdependent network of roads, bridges, and terminals is growing increasingly antiquated, congested and disconnected, and therefore, incapable of providing the productivity and prosperity support upon which the nation has depended for the last century and a half.<sup>3</sup>

There is substantial infrastructure already in place throughout the nation. Railroads, waterways, and highways serve as the domestic arteries for moving domestic and international freight. It is an ongoing challenge to maintain these assets – especially if untapped (i.e., excess) capacity currently exists.

The inland waterways provide a fitting example. Some might advocate postponing their maintenance and investment requirements because of weak cost/benefit analysis. But there is no realistic alternative to this network, which compliments rail and highway transportation. If the system falls into disrepair due to neglect, how will we ever access this resource when the nation needs it? It will cost too much, and take too long, to return it to service. The same problem threatens railroad rights of way and shipping channels.

Our nation has been living off the legacy of regulated, excess capacity. Today, very little of it remains, and we must preserve it for tomorrow. The federal Government would do well to rethink its method of determining the value of the system's economic worth. Available funding (i.e., inland waterways and harbor maintenance funds) should be used for its intended purpose -- not held as a deficit offset. In addition, presently unused or underutilized rail lines need to be preserved for future use and not lost to the system.

The U.S. Chamber of Commerce Report on Trade and Transportation concluded that:

- Ports and their associated intermodal systems can no longer build their way out of their capacity problems. 75% of the 16 ports surveyed for the report will have significant capacity problems by 2010. "The U. S. Highway system has experienced nearly a doubling of vehicle miles traveled in the past 20 years while the total highway mileage has increased only by 1 percent."

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<sup>3</sup> *Investing in America's Future; The Need for an Enlightened Transportation Policy*, University of Denver Intermodal Transportation Institute, September 2004.

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- The U.S. intermodal freight system is now being operated in many areas near the limits of economically sustainable capacity. The rail freight system handled 50% more freight between 1980 and 2000, and volumes are expected to double between 2000 and 2020.
- 18 % of total domestic freight is carried by the MTS on its network of inland barges. Yet funding for channel, lock and levee improvements has, in fact, decreased over the past 20 years.

The U.S. Chamber study goes on to say that “should any component of the system [MTS] break down, more than one fourth of the national economy will be crippled.” This grim prediction was borne out during the shut-down of West Coast port operations in 2002 and 2004, and in September 2005 with the interruptions to the transportation of America’s commerce following Hurricanes Katrina and Rita.

Lillian C. Borrone, Chair of the Eno Transportation Foundation Board, in her Thomas B. Deen Distinguished Lecture in January, 2005 summed it up as follows:

It would seem self-evident that the focus on the quality and capacity of our connectors to the rest of the world-and to the transportation system that would move these goods internally-would be a high national priority. But despite a number of major attempts at developing and applying a strategic national vision that included strong freight elements, we have fallen short.<sup>4</sup>

To put the requirements in stark detail, consider that, to handle the annual increase in container traffic, we must annually add capacity across the system which is equal to the current capacity of the Port of Oakland. To do this, we must make better use of what we have.

### ***Recommendations***

The growth in trade has not occurred by accident; it has been spurred by longstanding national policies advocating open market access. We must develop a matching platform to address the quality and efficiency of our transportation connections to the world economy; it will measure our success.<sup>5</sup>

The size, scope, economic impact and strategic significance of the problem have been well defined over the course of the last few years. There is a need to move from problem definition to problem resolution.

### ***SAFETEA-LU Represents Some Progress***

MTSNAC recognizes that the enactment of the \$286.5 billion SAFETEA-LU bill incorporates some of the recommendations made in earlier studies, and focuses more on freight transportation than any previous transportation funding bill. The new law increases funding to existing

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<sup>4</sup> Lillian C. Borrone, Thomas B. Deen Distinguished lecture, Transportation Research Board, Washington, DC, January, 2005.

<sup>5</sup> *Investing in America’s Future; The Need for an Enlightened Transportation Policy*, University of Denver Intermodal Transportation Institute, September 2004.

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programs; adds new programs; funds projects including some that would benefit freight movement; recognizes the importance of better planning; and, directs the establishment of several forums to accomplish this. Nevertheless, it falls short in some ways including the absence of certain freight specific recommendations from the Department of Transportation, specifically the 2% set-aside for intermodal freight connection projects.

One weakness of SAFETEA-LU is the great dependence by Congress on project earmarking, especially in those sections which are intended in part to address congestion and capacity issues in corridors and gateway regions. The Secretary is authorized to use discretion in awarding projects of national significance, for example, but is afforded no funding authorization to render that discretion meaningful. Also, SAFETEA-LU does not significantly address rail freight needs. The new law only authorizes the Secretary to study system needs and report findings to Congress.

**Sector Capacity and Assistance Needs**

The table below illustrates the components of the Marine Transportation System (MTS) and is designed to help identify those areas of the system where the private sector needs more assistance from the government – in some form – in order to address the capacity problem.

<b><i>MTS Capacity and Infrastructure</i></b>			
<b><i>Transportation Sector</i></b>	<b><i>Ownership</i></b>	<b><i>Capacity Problem</i></b>	<b><i>Need for Government Assistance</i></b>
Inland Waterway Conveyances (tugs and barges)	Private	No	<b>No</b>
Inland Waterway Locks and Dams Infrastructure	Public	Yes	<b>Maybe.</b> Existing trust fund is adequate for construction <i>if</i> money in it is spent for on lock and dam infrastructure need; O&M funding is not supported by trust fund or adequate funding
Trucking Conveyances (trucks and equipment)	Private	Yes	<b>Somewhat.</b> Driver shortages exist in some areas, which is an issue for the market and government to address. However, certain regulations, like those governing hours of service, impact total available capacity and other regulations, like those governing fuel emissions, increase the driver's cost to operate.
Highway Infrastructure	Public	Yes	<b>Yes.</b> This will need to be addressed in the context of SAFETEA-LU. The new law establishes some programs to address these challenges, but virtually all funding in these programs has been earmarked for specific projects. The Secretary must have funding authority to allocate to additional

<b>MTS Capacity and Infrastructure</b>			
<b>Transportation Sector</b>	<b>Ownership</b>	<b>Capacity Problem</b>	<b>Need for Government Assistance</b>
			meritorious freight transportation solutions. Funding to states is inadequate; thus the extent to which states will allocate discretionary resources to freight projects is debatable.
Maritime Conveyances (ships)	Private	No, with exception of specialized short-sea vessels	<b>No</b> , with possible exception of financing incentives for specialized short-sea vessel construction.
Harbor Dredging	Public	Yes, Location Specific	<b>Maybe</b> . Existing trust fund, which supports O&M, is adequate <i>if</i> money in it is spent as intended; harbor channel construction has been underbudgeted and under funded...
Port Marine Terminal Infrastructure (inside the gate)	Combination of public and private	Yes, Location Specific	<b>Somewhat</b> . Ports and private sector generally can provide the capital. Obtaining permits and acreage for capacity expansion has become the more difficult issue.
Rail Connections to Ports	Most private, some public	Yes, Location Specific	<b>Yes</b> . This will need to be addressed in the context of SAFETEA-LU. The new law to a limited extent supports rail freight improvements to address these challenges, but virtually all funding in these programs has been earmarked for specific projects. The Secretary must have greater authority and additional funding authority to allocate funding for additional meritorious freight transportation solutions.
Highway Connections to Ports	Public	Yes, Location Specific	<b>Yes</b> . This will need to be addressed in the context of SAFETEA-LU. The new law establishes good programs to address these challenges, but virtually all funding in these programs has been earmarked for specific projects. The Secretary needs to have the discretion to approve additional funding for additional meritorious freight transportation solutions.
Rail Conveyances (locomotives and rail cars)	Private	Yes, Location Specific	<b>No</b> . Railroads' investment responsibility.
Rail Trackage	Most	Yes,	<b>No</b> . Primarily railroads' investment

<b><i>MTS Capacity and Infrastructure</i></b>			
<b><i>Transportation Sector</i></b>	<b><i>Ownership</i></b>	<b><i>Capacity Problem</i></b>	<b><i>Need for Government Assistance</i></b>
	private, some public	Location Specific	responsibility.

**Public Sector Recommendations**

The passage of SAFETEA-LU provides a number of new programs. The features of “Projects of National and Regional Significance” and “National Corridor Infrastructure Improvement Program”, are aimed at improving the intermodal transportation system. Still, all of the funding is earmarked for specific projects (the sum of which falls well short of the need) and the Secretary is impeded from authorizing new projects – no matter how significant the impact. The expansion of eligibility to include rail facilities and other changes to the Transportation Infrastructure Finance and Innovation Act (TIFIA), which allow smaller projects to qualify and/or grouped together, represent some of the positive improvements to existing programs; and the new Capital Grants for Rail Line Relocation Projects is a welcome addition to existing financing options for available transportation infrastructure improvement projects.

Nevertheless, MTSNAC remains concerned that, while the bill provides a good framework to move forward, it denies the Secretary adequate funding authority to initiate projects which he considers to be essential to the national system and to support future demand. Furthermore, as a substantially highway-oriented measure, it represents an incomplete answer to the need for a national freight policy which is meant to incorporate the full marine transportation system.

**1. Make intermodal freight movement a national priority**

There is a direct link between the efficiency of our transportation system and the future of our economy. Therefore all branches of government must give high priority to the expansion and improvement of the existing marine transportation system. The Department of Transportation cannot accomplish these objectives alone. The missions of the Departments of Defense, Energy, Homeland Security and Commerce all rely on the freight transportation network, and they should be driving discussion of potential innovations, such as short haul intermodal (which includes short-sea shipping) and long haul coastal shipping for domestic cargo, to increase the nation’s freight movement capacity. The Departments of State and Treasury, and the Trade Representative, should work hand-in-hand with the Department of Transportation as they consider new trade agreements, to fully understand and prepare for the likely impact of increased trade on a transportation system which is already stressed.

The President and Congress are advised to focus their attention on raising public awareness while promoting concrete programs, with assured funding, to preserve and expand this system. Not only will this provide the private sector with incentives to continue investing, but it should increase state and local attention on transportation issues.

By making freight movement an immediate national economic priority, the federal government can articulate necessary freight capacity expansion initiatives to the public, and can also lay the foundation for improvement to freight policy legislation for the next transportation bill, four

years from now, if not sooner. It is essential to establish the groundwork for an informed debate on modal divisions, and how best to integrate them as a system and a national policy. It is MTSNAC's recommendation that the surface transportation policy commissions, created in SAFETEA-LU, should consider modal divisions as soon as possible.

## **2. Protect system reliability by preserving freight infrastructure**

There is a considerable transportation infrastructure already in place. Railways, waterways, and highways serve as the domestic arteries for moving domestic and international freight. The challenge is to maintain these assets – especially if untapped (i.e., excess) capacity currently exists. The nation has been living off the legacy of regulated, excess capacity. But there is very little left. It is time to preserve today's capacity for tomorrow.

The inland waterways provide an excellent example. Some would advocate postponing maintenance and investment and justify doing so by pointing to criticism of the cost/benefit analysis. However, there is no viable alternative to this network which integrates rail and highway transportation. If this resource falls into disrepair due to neglect, how will we ever recover it when the nation needs it? It will cost too much and take too long to return the system to service. The federal government must reexamine the way it evaluates the economic worth of our transportation system. The same could be said of railroad rights of way and shipping channels.

- Two policy examples are noteworthy: Existing Federal channels and navigation infrastructure should be maintained. The Harbor Maintenance Trust Fund was established in 1986 to assure the availability of harbor maintenance funding. Yet with spending from the trust fund consistently at a rate lower than user fee collections, the trust fund is on the path to having an accumulated net surplus of \$3 billion by the close of the next fiscal year. Meanwhile, the need for maintenance funding for both the coastal port system (which is supported by the HMTF) and the inland waterway system (the maintenance funding of which comes from the general treasury) is both considerable and unmet year after year in the Federal budget. Roughly \$600 million of the \$1.1 billion in the critical maintenance backlog is for navigation.
- Port related activity should be given a priority in use of waterfront and brownfield acreage. Most major freight facilities are located near major metropolitan areas. Port and rail terminals must contend with other interests for necessary real estate. Just as we should preserve waterways and rail rights of way for future growth, and in order to prevent "freight sprawl" and the related problems of more emissions, we must determine how to ensure that freight terminals will be able to expand their existing facilities, truck traffic and higher freight costs. We support the U.S. Chamber recommendation that "existing brownfield sites should be catalogued for possible freight conversion, and a fast-track, pre-approval status should be developed for those sites with high freight potential."

## **3. Enable timely, consistent, and accurate measurement of capacity and productivity**

"You can't manage what you can't measure." At present there are no metrics commonly available to objectively measure capacity and productivity of the MTS. The public and private sectors don't really know how much additional volume can be handled before the system

effectively collapses. Objective metric analysis could be used to identify best practices that might be implemented systemwide. Shippers would benefit from having an accurate measure of the capacity of the terminals and networks they are either considering or those which they use.

Additionally, the Bureau of Transportation Statistics (BTS) has suffered from inadequate funding and leadership. SAFETEA-LU provides for the appointment of a Director, who, among other things, is tasked with “providing data, statistics, and analysis to transportation decision makers,” as well as “encouraging data standardization.” and “publishing a comprehensive set of transportation statistics on the performance and impacts of the national transportation system.” In so doing, the legislation takes steps to fulfill a long-standing planning need of both the private and public sectors, to access better information on the capacity and use of the many components of the intermodal transportation system. It should be recognized that relevant data collection efforts exist outside of BTS – and DOT. (i.e., Army Corp of Engineers.) MTSNAC strongly urges the Secretary to support transportation data collection with appropriate funding and oversight,

- Transportation industry associations are probably best situated to develop standard industry metrics in cooperation with BTS. MTSNAC recommends BTS should contract with these groups as a matter of priority. Trade associations in other industries (i.e., mass retailers) regularly engage in such activity.
- Last, we are disappointed to note that the Act grants the National Research Council up to two years to complete a needs assessment before the compilation of this information can begin. MTSNAC recommends that the Secretary establish a more aggressive time frame for the completion of the needs assessment.

#### **4. Encourage private sector investment through tax incentives**

The federal government should encourage continued -- and accelerated -- private sector investment in transportation infrastructure. Federal funding, on which infrastructure projects have traditionally depended, can no longer cover the costs of the capital improvements necessary to keep the system ready to manage demands of commerce. State transportation officials, the U.S. Chamber of Commerce, and many Members of Congress spoke convincingly of the inadequacy of SAFETEA-LU, and the annual budget process, to satisfy the nation’s transportation system needs.

However investors are showing interest in public infrastructure. Unfortunately, the benefit for expansion is disaggregated amongst many parties, with the notable exception of some tolled facilities, which are attracting private investors. Often, the for-profit enterprise cannot capture the public benefit in its economic evaluation. Positive public investment by the private sector should be encouraged. Short of outright public financing federal and state tax incentives -- potentially including devices such as tax credit bonds -- present an attractive way to encourage private investment in infrastructure capacity, innovations in service, and equipment.

#### **5. Recognize and support regional freight solutions**

All aspects of the freight system are not equal. There is significant concentration through a limited number of gateways – which are often located in densely populated regions already

experiencing congestion. Furthermore, no two network nodes are identical. (i.e., Challenges and solutions in Los Angeles/Long Beach differ from those in New York/New Jersey.)

SAFETEA-LU recognizes these differences by authorizing the Secretary to distinguish projects meeting new criteria as Projects of National and Regional Significance (PONRS.) It also designates certain corridors as “High Priority Corridors on the National Highway System.” Additionally, specific projects funded in other sections of the bill address needs in a local or regional area, which may ultimately benefit freight transportation nationwide. These projects can serve as a foundation upon which to build a national freight improvement program, and by which chokepoint solutions and new capacity enhancements at major gateways can be undertaken with some sense of priority. The major gateways, challenged by metropolitan congestion, increasing cargo flows, and distribution center development, contain the sum of all problems. Yet, they also represent an opportunity to create new solutions to the benefit of the country.

The freight transportation projects designated in SAFETEA-LU still fall far short of what’s required to sustain our nation’s economic growth and vitality. Because the existing freight transportation capacity operates so close to capacity, any significant disruption to a major gateway, or along certain corridors, will not easily be absorbed by the remaining freight transportation system. Despite the fact that Congress fully earmarked the PONRS section of the bill, we recommend that the Secretary of Transportation begin implementing the section by crafting criteria for the designation of major gateways.

MTSNAC also recommends the Secretary encourage submission of regional plans for each of the major freight gateways, which address the region’s intermodal freight system’s needs. The Secretary should also consider any inter-regional plans which hold promise for enhancing the national system capacity. The Secretary is urged to request that such plans include both regional public-private initiatives to increase system capacity and efficiency, and achievable short term goals (i.e., within 3-5 years) designed to eliminate bottlenecks and make efficient use of existing capacity. Such plans should envision local and private funding, and federal funding which could match up to 50% of the plan’s entire short term capital costs.

The new programs in SAFETEA-LU appear to provide adequate latitude to incorporate these regional planning projects into the framework of the current law, but, because the law earmarks all available funding for specific projects, additional funding is required to meet national intermodal freight transportation system needs. We estimate that \$4 billion a year for the next five years, matched by the local and private capital pursuant to such plans submitted to the Secretary, would provide a reasonable start.

It is anticipated that the plans submitted would recognize and accommodate each region’s unique characteristics and challenges. For example, one region may have access to river and ocean waterways, which afford it a waterborne solution, while another has rail access that could be maximized. While plans may differ, the outcome would be the same: more capacity, less congestion, and the formation of meaningful public-private partnerships.

### **Private Sector Recommendations**

The private sector must continue to seek out and implement solutions, wherever possible, to assist infrastructure development. With limited terminal space, road and rail capacity in major port regions, the vessel operators, port terminals, shippers, railroads, and trucking companies, with the support and encouragement of the Secretary of Transportation, should facilitate changes in business practices to make better use of existing capacity. At the same time, ports should reserve precious port acreage by giving priority to operations that require waterfront, and relocate others. Some initiatives for consideration are found below.

It should be noted that many of the following plans can be affected by the private sector alone; however, some require coordination with local and state officials.

#### **6. Even the flow of freight across the existing system**

There are several steps that can be taken to even the flow of freight across the existing system. One way to help relieve congestion immediately is to *move more cargo in and out of ports during off-peak hours*, and better utilize available road capacity. Currently, most intermodal movement occurs during the normal work day, when roads are most congested. PierPass, recently implemented by the Ports of Los Angeles and Long Beach, encourages delivery and receipt of containers outside normal work day hours. Early indications are that the program has improved congestion on the roads, and has reduced trucker dwell time at the terminals. Terminal operators in Oakland and New York/New Jersey have also recently extended gate hours.

This step alone has met with some early success. Though not successfully implemented at all ports, its merits should still be investigated. Implementing such a change requires the cooperation of all stakeholders, as it implies greater costs to some. Enhanced data visibility amongst all participants would facilitate additional system efficiencies.

Warehouses must be willing to extend the hours they will be available to receive cargo; terminals must secure labor for the extended work hours; and, truckers must adjust their work days to take advantage of the new schedule. Should local ordinances prohibit implementing such a program, modifications should be pursued through active cooperation between private sector supply chain participants and local government.

Shippers and their carriers, together with the impacted terminals, are advised to review vessel schedules to distribute arrivals more evenly across the days of the week. For example, traditional vessel scheduling serving the nation's largest trade – the Trans-Pacific – results in disproportionate amounts of cargo arriving in Southern California Thursday through Sunday, when those ports are already challenged to handle volume during peak periods. The increased cargo is partly due to the introduction of larger vessels on an existing service, but potential modifications to the vessel arrival schedules should be considered. Shippers and their carriers should, in fact, regularly review their ability to change production and delivery schedules, so that vessel arrivals might be more evenly dispersed throughout the week.

**7. Improve attractiveness of harbor trucking for owner-operators**

Harbor trucking relies on "owner-operators," who own their own tractors and contract for per-trip movement. Many factors including low rates, congestion, rising fuel and insurance costs, and hours of service, have made this business marginally profitable.

The piecework nature of the harbor drayage business makes any delay a cause for fewer trips – and less revenue for that day's work. This problem extends beyond the turn around time on a marine terminal, and includes any impact of congestion. The result is a vicious cycle of market exit (by many truckers) and degrading conditions for the remaining participants. Appropriate rates and fuel cost recovery are issues to be addressed between the owner-operators and the companies that contract with them. Still, congestion improvements on terminals, roads and railways will improve the ability of drivers to increase their daily trips and their revenue.

In addition, most harbor truckers lack the necessary resources to acquire suitable equipment. The recently enacted Energy Policy Act of 2005 includes provisions which can offer these truckers financial assistance either to retrofit or to purchase tractors which are cleaner and more energy efficient. We encourage regional trucking and port organizations to pursue these sources and establish programs to assist these truckers in meeting environmental standards.

**8. Improve the management of chassis**

The United States is the only country in the world where chassis are not owned primarily by trucking companies. In the U.S., they are primarily owned by ocean carriers and, to some degree railroads -- at a great capital cost. Vast amounts of valuable real estate, in terminals or nearby storage yards, are consumed by stored chassis. Additionally, more chassis might be required in a terminal used by multiple carriers, simply because carriers do not coordinate with one another to effectively utilize their chassis fleets. The impact to system-wide capacity is further compounded when scarce trucking resources are used to reposition the chassis between terminals and fleets.

The development of port-wide, or regional chassis pools, (where chassis are managed by a single entity for use by multiple carriers) has proven successful in some locations, and the value of implementing this type of pool at other congested locations merits investigation by carriers and terminal operators and implemented wherever beneficial.

**9. Manage free-time better**

Efficient marine terminals and rail depots are essential if imports and exports are to flow correctly. Carriers, (including ocean, rail and truck), as well as ports and marine terminal operators, offer provisions for the use of the container for a period of time without penalty. These entities should limit the amount of free time they permit on import containers strictly to the reasonable duration of customs processing and pick-up. Additionally, demurrage and storage charges should be increased to a level which will deter cargo interests from allowing the container to sit unloaded beyond the free days. This will avoid the use of scarce resources as warehouse space, which currently exacerbates the congestion problem.

## **10. Recruit, train and retain sufficient personnel to operate the system**

Freight transportation cannot thrive without workers. The truck driver shortage is severe, and spot problems in the rail and marine sectors have caused national gridlock in recent years. Recruitment, training and retention of a safe and secure freight transportation workforce are essential. Private businesses develop human resource strategies for their own companies to recruit, retain and develop employees for the future. The same thinking should be applied by those sectors that rely on the use of a common worker pool, such as marine terminals and rail, where we recommend the creation of a workforce development strategy supporting the needs of future growth for those sectors.

### **Conclusion: Where to Start**

New steps must be taken to address the capacity shortfall of the marine transportation system. The complexity of the system -- multiple modes and owners, infrastructure age and state of repair, and, geographic diversity -- do not allow for a single, simple solution. Problems, often narrowly focused and independent one of the other, must be approached differently, and their solutions must reflect an appreciation for the effect on the entire system.

It is for this reason that the Council recommends the implementation of solutions, where possible, on regional and even inter-regional bases. Regional solutions and freight transportation plans can be the foundation for a sound national transportation system. The wisdom and resources needed to develop these solutions do not reside alone in government or in the operating institutions. Public and private sectors must coordinate, each respecting the talents of the other, for the economic and environmental good of region and nation. They can help ensure that increasingly scarce public funding is used effectively.

We conclude as we started. Thoughtful reports and recommendations by transportation leaders, regional planners, coalitions, and scholars on freight mobility and the marine transportation system are a matter of record. Major gateways have studied forecasts and prepared plans for significant cargo growth since the late 1990s. U.S.DOT reported to Congress on the needs of intermodal connectors on the NHS in 2000. The U.S. Chamber of Commerce highlighted the looming problem and urged action in 2003. The National Academy of Sciences pointed the way in its MTS report of 2004. Major shippers coalesced out of concern and called for government and private sector action in 2005. All these items unambiguously point to diminishing capacity in the system and the economic consequences of inaction. To his credit the Secretary of Transportation is building what he calls a Federal freight *action* agenda.

The key word is action. It is time for the Federal government to:

- Move from investigation to action;
- Treat intermodal freight mobility as a national priority;
- Make room for non-traditional – an sometimes unconventional – policy solutions;
- Empower the Secretary with meaningful authority -- including adequate funding, not earmarks -- to help capacity challenged regions to implement solutions, many of which are already defined;

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- Invite the private sector to the table as partners and consider them untapped resources.
- Encourage intermodal efficiencies which make the best use of all MTS modes and elements; and,
- Maintain and build a transportation system that is fit for the 21<sup>st</sup> century and up to the demands articulated in current federal trade policies.

We gratefully thank the Secretary for the opportunity to express our views on these matters of pressing urgency to our transportation system – and to our country.

**Appendix**

***MTS National Advisory Council  
Intermodal Capacity and Operations Team***

Name	Organization
Sam Crane - Chair	U.S. Chamber of Commerce
Ted Prince - Vice Chair	Intermodal Association of North America
John Mohr	American Association of Port Authorities
Jean Godwin	American Association of Port Authorities
Steve Pfeiffer	American Great Lakes Ports Association
Gloria Tosi	American Maritime Congress
Curtis Whalen	American Trucking Association
Paul Bea	Coastwise Coalition
Rolf Marshall	Coastwise Coalition
Dave McDonald	Gulf of Mexico States Partnership, Inc.
John Baniak	I-95 Corridor Coalition
Ron Thomason	Maritime Security Council
Will Smith	National Association of Counties
Pat Hall	National Association of Waterfront Employers
Looman Stingo	National Industrial Transportation League
Jim McKenna	Pacific Maritime Association
John Gaughan	The Propeller Club of the United States
Paul Mentz	Society of Naval Architects and Marine Engineers
Jim Cook	U.S. Exporters Competitive Maritime Council
Ole Sweedlund	United States Maritime Alliance, Ltd.
Carol Lambos	United States Maritime Alliance, Ltd.
Rick Gabrielson	The Waterfront Coalition
Robin Lanier	The Waterfront Coalition
Chris Koch	World Shipping Council
Don O'Hare	World Shipping Council
<i>Committee Participants – Not MTSNAC Members</i>	
Carl Seiberlich	Transystems
Mark Yonge	Maritime Transport and Logistics Advisors