



Committee on Transportation and Infrastructure
U.S. House of Representatives

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April 19, 2013

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SUMMARY OF SUBJECT MATTER

TO: Members, Panel on 21st Century Freight Transportation
FROM: Staff, Panel on 21st Century Freight Transportation
RE: Panel Hearing on "Overview of the United States' Freight Transportation System"

PURPOSE

The Panel on 21st Century Freight Transportation will meet on Wednesday, April 24, 2013, at 10:00 a.m., in 2167 Rayburn House Office Building to receive testimony related to the importance of freight transportation to the U.S. economy. At this hearing, the Panel will receive testimony on the current operation of the freight network, what challenges impact its performance, and what can be done to improve the efficiency and safety of freight transportation. The Committee will hear from Fred Smith, Chairman, President, and CEO of FedEx Corporation; Wick Moorman, Chairman, President, and CEO of Norfolk Southern Corporation; James Newsome, President and CEO of the South Carolina Ports Authority; Derek Leathers, President of Werner Enterprises; and Edward Wytkind, President, Transportation Trades Department, of the AFL-CIO.

BACKGROUND

The safe and efficient movement of freight throughout the United States impacts the day-to-day lives of every American. From the clothes you wear to the car you drive to the food you eat, the freight transportation system impacts all aspects of everyday life. In 2011, the U.S. transportation system moved 17.6 billion tons of goods, valued at over \$18.8 trillion.¹ The Federal Highway Administration estimates that in the next 30 years, there will be 60 percent more freight that must be moved across the Nation. To keep up with such demand, it is critical that Congress seek ways to increase the efficiency, safety, and overall condition and performance of the Nation's freight network.

In the past, the conversation about freight transportation and goods movement has focused on specific modes of transportation. However, given the multi-modal nature of freight

¹ Statistics used in this memorandum are taken from the Bureau of Transportation Statistics, the Pipeline and Hazardous Materials Safety Administration, the Army Corps of Engineers, the Federal Aviation Administration, the Federal Highway Administration, the Congressional Research Service, the Association of American Railroads, the World Shipping Council, and the American Society of Civil Engineers.

movement, it is important to examine the system as a whole. Goods frequently move back and forth between ocean vessels, highways, railroads, air carriers, inland waterways, ports, and pipelines. Bottlenecks arising at any point on the system can seriously impede freight mobility and drive up the cost of the goods impacted. For this reason, improving the efficient and safe flow of freight across all modes of transportation is critical to the health of the United States economy and the future of the Nation's global competitiveness.

INTERMODAL GOODS MOVEMENT

In his testimony before the Senate Committee on Commerce, Science, and Transportation on June 18, 2009, Rick Garbielson of the Target Corporation provided a telling example that demonstrates the intermodal nature of goods movement.² Before arriving on the shelves at Target, a tee-shirt begins its journey at an overseas factory. It is then loaded into a container and moved by truck to a port, where it is placed on an ocean vessel. The ship carries the shirt across the ocean to a domestic port, where it is unloaded and processed through a sorting facility, combining the shirt with similar items arriving from a number of other foreign points of origin.

These items are then loaded onto trucks or trains and delivered to a distribution facility, at which point the shirt is combined with other items designated for the same destination. These items are then transported via truck or train, depending on the distance between the distribution facility and the destination. If a customer wants a product shipped directly to their residence or business, Target may utilize cargo aircraft to transport the goods, in addition to trucks, trains, and vessels. Due to the complexity of the supply chain, even the smallest delay at any point can cause massive ripples throughout the system, resulting in significant economic loss.

Highways

The Nation's highway system is an essential part of the freight network. Not every community has a railroad, airport, waterway, or port nearby, but people live, work, and shop along the Nation's four million miles of highways and roads. As a result, a consumer good is often transported on the highway system for at least part of its journey.

Approximately 50 percent of all freight moved in the United States travels less than 100 miles between origin and destination. At this distance, trucks carry almost 85 percent of all of the freight that is moved. More than 250 million trucks carry freight on the highway system each year, and commercial trucking requires a reliable highway system on which to operate. However, each day approximately 12,000 miles of the highway system slows below posted speed limits and an additional 7,000 miles experiences stop-and-go conditions. Such congestion negatively impacts the efficiency of the highway system as a reliable mode of transportation.

Railroads

Railroads carry more freight than any other mode of surface transportation over long distances. There are approximately 565 freight railroads in the country employing nearly 180,000

² *Freight Transportation in America: Options for Improving the Nation's Network Before the S. Comm. on Commerce, Science, and Transp.*, 111th Cong. 1 (2009) (statement of Rick Gabrielson, Dir. of Int'l Transp., Target).

workers. Freight rail carries 43 percent of intercity freight, and for every rail job, 4.5 other jobs are supported elsewhere in the economy.

These privately owned companies operate on more than 200,000 miles of throughout the Nation. Freight railroads are divided into three groups, called classes, based upon their annual revenues. While Class I railroads generally provide long-haul freight services, the Class II and III railroads often provide the first and last mile of rail freight movements. In 2012, the freight railroads spent more than \$13.8 billion in capital to improve and expand their networks.

Air Cargo

Air cargo carriers play a vital role in transporting goods both in domestic and international supply chains. Air carriers can move cargo quickly and often move goods of particularly high value. Furthermore, in some areas of the country, air freight is the only reliable means of delivering goods. Air cargo is transported both in the bellies of passenger aircraft as well as in dedicated all-cargo aircraft on scheduled and nonscheduled service. Currently, there are 33 all-cargo carriers operating 840 cargo aircraft. In 2012, air cargo carriers flew over 36 billion revenue ton miles (RTMs).³ Of these 36 billion RTMs, all-cargo carriers comprised almost 80 percent of the total, with passenger carriers flying the remainder.

Shipping

Cargo ships move massive amounts of goods around the world every year. Over 75 percent of all United States international freight moves by water. The United States is the world's largest importer of containerized goods and the world's second-largest exporter of such cargo. For the Nation to continue importing and exporting such a large volume of goods, port infrastructure and land-side connections are necessary to ensure that cargo can be efficiently transferred from ship to shore and can quickly move inland.

Ports

The majority of the Nation's bulk commodities and containerized goods are shipped through ports. Ports serve as points of entry for imported goods and egress for exports. Ports often serve as end points of highway and rail freight movements and must be maintained and improved to support efficient and cost-effective trade. While large ports dominate the international freight dynamic, smaller ports support regional and local economies.

A lack of funding has resulted in deferred maintenance of Federal channels that serve coastal ports. Currently, the constructed depths and widths of entrance channels are available only 35 percent of the time.

Inland Waterways

The Nation's approximately 12,000 miles of commercially-active, navigable waterways provide an efficient, cost-effective means of transporting goods to domestic and international markets. A tremendous amount of goods are transported on waterways each year, estimated at

³ A revenue ton mile (RTM) is the movement of one ton of freight one mile for revenue.

2.3 billion tons in 2007. In fact, United States waterways carried an equivalent of over 50 million truckloads of goods last year. However, much of the critical infrastructure for waterborne transportation is in dire need of repair. More than one-half of the locks and dams in the United States are over 50 years old. The outdated nature of this infrastructure results in an average of more than 50 disruptions per day, causing unscheduled delays of many hours and driving up costs.

Pipelines

Natural gas provides almost 25 percent of the Nation's total energy consumption, and petroleum provides approximately an additional 40 percent of energy consumption. These commodities need to be transported quickly and safely, and pipelines move these products efficiently at a high volume. Today, there are almost 2,500,000 miles of pipelines in the United States—enough to circle the globe about 100 times. Pipelines play an important role in ensuring that the Nation's energy commodities are moved quickly, safely, and efficiently, and in so doing, pipelines support the other modes of freight transportation, as well.

WITNESS LIST

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