



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

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May 24, 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 Field Hearing on "How Southern California Freight Transportation Challenges Impact the Nation"

PURPOSE

The Panel on 21st Century Freight Transportation will meet on Thursday, May 30, 2013, at 1:30 p.m., at the historic Santa Fe Depot located at 1170 West 3rd Street, San Bernardino, California, to receive testimony related to the ways in which Southern California freight challenges impact the Nation. At this hearing, the Panel will receive testimony on the current operation of the freight network in Southern California, the unique challenges that impact its performance, and how these issues resonate throughout the rest of the Nation's freight system. The Committee will hear from Kome Ajise, Deputy Director for Planning and Modal Programs for the California Department of Transportation; Hasan Ikhata, Executive Director of the Southern California Association of Governments; Marnie O'Brien Primmer, Executive Director of Mobility 21; Scott Moore, Vice President for Public Affairs of Union Pacific; Mike Fox, President and CEO of Fox Transportation; and Rick Richmond, former Chief Executive Officer of the Alameda Corridor-East Construction Authority.

BACKGROUND

Every year, the Nation's freight transportation system moves billions of tons of goods valued at tens of trillions of dollars.¹ Because the United States supply chain is so interconnected, issues that impact one region of the country inevitably have a ripple effect through the entire network. This is certainly true in the case of Southern California, where nearly 40 percent of the goods imported through the region move east of the Mississippi River and where exports from every region of the United States travel through Southern California ports en route to foreign markets. The issues that impact Southern California have a direct impact on the economic competitiveness of states across the Nation.

¹ Statistics used in this memorandum are taken from materials published by the Port of Los Angeles, the Port of Long Beach, the Southern California Association of Governments, and Mobility 21.

The Southern California Freight System

Southern California is one of the most important trade gateways in the entire country. The freight system in this region is truly multimodal, incorporating deep-water marine ports, international border crossings, interstate highways, multiple Class I railroads, numerous state highway routes and local collectors, air cargo facilities, intermodal facilities, and distribution and warehouse clusters.

These facilities combine to create over 60,000 direct jobs at the ports, airports, and border crossings and over 1.6 million trade-related jobs throughout Southern California. This industry brings in over \$30 billion in local, state, and federal tax revenue every year. Supported by the freight facilities in the region, Southern California enjoyed over \$90 billion in manufacturing activities in 2010, making it the third-largest manufacturing region in the Nation.

Highways

A significant amount of the region's goods movement is associated with local pickup and delivery, construction, utilities, agriculture, and other related services. All of these activities rely on trucks and on a reliable network of local connectors, state routes, and interstate highways. The nearly 4,000 miles of state and interstate freeways in Southern California support a myriad of activities. Some of the primary freight uses of the Southern California road network include trips to deliver raw materials to local businesses and industries, trips to serve the large consumer base in the region, trips associated with international goods movement through the ports and the border crossings, trips to and from the regional airports, and trips to and from the intermodal rail facilities in the area.

Railroads

There are two Class I railroads that operate in Southern California—Union Pacific and Burlington Northern Santa Fe. Both railroads operate intermodal terminals that serve container and trailer freight, classification yards for traditional rail carload commodities, and automobile terminals for trains carrying automobiles. In 2010, these two railroads handled over four million international and domestic containers and truck trailers at their regional intermodal terminals. In addition to the two Class I railroads, there are also three short-line railroads that operate in the region, providing a mix of services to connect shippers with the long-haul Class I rail system.

Ports

The Port of Los Angeles and the Port of Long Beach are located adjacent to each other in the San Pedro Bay. Taken together, the San Pedro Bay Port Complex is the eighth largest port facility in the world, handling over 14 million twenty-foot equivalent units (TEUs) in 2011. The port complex contributes over \$400 billion in trade to the United States economy each year.

The Port of Los Angeles is 7,500 acres in size and includes 43 miles of waterfront. There are 270 berths at the port, and the port is dredged to a 53-foot draft. In 2011, the port handled 7.9 million TEUs of traffic and contributed \$260 billion in trade to the Nation's economy. The Port of Long Beach is 3,200 acres in size, contains 80 berths, and is dredged to 50 feet. In 2011,

the port handled 6.1 million TEUs of traffic and contributed \$155 billion in trade to the Nation's economy.

Air Cargo

In Southern California, most regional air cargo is transported in one of three ways—as belly cargo in a passenger aircraft, by an integrated intermodal service like FedEx or UPS, or by a dedicated air cargo carrier. Both Los Angeles International Airport and Ontario International Airport have significant freight facilities.

Los Angeles International Airport has three dedicated cargo centers (the Century Cargo complex, the Imperial Cargo complex, and the Imperial Cargo Center). In addition, air freight is loaded in the passenger terminals when being transported as belly cargo in passenger aircraft. Ontario International Airport has a nearly 100,000-square-foot cargo center to support all three types of air freight. Moreover, UPS has a 156-acre distribution center adjacent to Ontario International Airport, and there is a planned 94-acre air cargo site at the airport that is under development.

The Impact of Southern California Freight Challenges on the Nation

More than 43 percent of the Nation's containerized imports enter the country through Southern California. The import and export traffic of the Southern California ports benefit the residents of every region of the United States. Goods imported and exported through Southern California make their way to and from each state, supporting billions of dollars of local economic activity and millions of jobs. Of the goods imported through Southern California, almost 40 percent travel east of the Mississippi River. The proximity of a particular geographical market to the Southern California region does not have a direct bearing on the percentage of Southern California imports consumed by that market.

When congestion, bottlenecks, and other inefficiencies hinder the Southern California region's ability to import goods through its maritime ports and international border crossings or its ability to move these goods through the region, costs rise and transit-times increase. These costs are often passed on to consumers. Consequently, the level at which the freight network functions in Southern California tangibly impacts the lives of consumers all across the Nation.

Furthermore, according to a recent study, more than 16 million jobs in the United States depend on imports.² This study does not even take into consideration the millions of domestic manufacturing jobs that rely on an efficient freight transportation network to export American-made goods. In 2011, the Nation's transportation system moved 17.6 billion tons of goods, valued at over \$18.8 trillion. Given the connected nature of the Nation's supply chain, the issues that impact the Southern California region's freight system have a direct impact on the economic competitiveness of states thousands of miles away.

² Journal of Commerce Staff, *Study: Imports Support 16 Million U.S. Jobs*, May 6, 2013, available at http://www.joc.com/international-trade-news/trade-data/united-states-trade-data/study-imports-support-16-million-us-jobs_20130506.html.

WITNESS LIST

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