



***Driving Trucking's Success***

*Statement of*

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*Before the*

**Subcommittee on Highways, Transit and Pipelines**  
**Of the**  
**Committee on Transportation and Infrastructure**

*On*

**Intermodalism**

June 15, 2006

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Mr. Chairman and members of the Subcommittee, my name is Timothy Lynch and I am Senior Vice President, Federation Relations and Strategic Planning for the American Trucking Associations (ATA). ATA is the largest national trade association for the trucking industry and, through a federation of industry-related conferences and 50 affiliated state trucking associations, represents more than 37,000 members covering every type of motor carrier in the United States. I am also appearing today on behalf of one of our conferences, the Intermodal Motor Carriers Conference (IMCC), which represents ATA members who are specifically engaged in intermodal transportation or related motor carrier support services.

I am pleased to appear here today to discuss intermodalism and its important role in America's freight distribution system. As all of us are aware, transportation "bottlenecks" and their resulting traffic congestion are having a negative impact on the driving public, consumers, and our economy. Texas Transportation Institute's latest urban mobility report found that as of 2003, congestion caused 3.7 billion hours of travel delay and 2.3 billion gallons of wasted fuel, costing more than \$63 billion. Therefore, it is most appropriate that the Subcommittee is holding a series of hearings to examine all aspects of today's freight transportation network, including the role that intermodalism can serve in relieving congestion and contributing to an efficient freight delivery system.

ATA's members support intermodalism and encourage policies that promote increased movement of containers by rail. In fact, trucking companies were some of the first pioneers in the promotion and use of intermodalism in this country. Intermodal transportation can help alleviate the driver shortage the trucking industry is currently experiencing and which is expected to continue in the coming years. It also combines the best of rail and truck transportation – the just-in-time delivery standard of trucks, with the long-distance economy of rail.

In 2005, 11.7 million trailers and containers moved in rail intermodal service. About half of the volume consists of international freight. The Association of American Railroads (AAR) recently reported that intermodal traffic is now the rail industry's highest revenue business segment, surpassing coal for the first time in 2003. For intermodal to continue to grow, however, the railroads will need to be able to meet their service schedules on a consistent basis. The single largest impediment to intermodal growth is inconsistent rail service.

## **Intermodal Issues**

### Rail as an Alternative to Trucks

At the outset, it is important to understand both the potential for, and limitations of, intermodal growth. Rail intermodal comprises just 1.3% of the total freight market today, compared to 68% for truck-only deliveries (see attachment 1). Global Insight, an economic consulting firm, projects that rail intermodal tonnage will increase nearly 80% from 2004 through 2016. Yet, intermodal will still only account for only 2% of the

domestic freight market. (see attachment 2). The reason is that only a relatively small portion of traffic moving over the nation's highways is conducive to intermodal delivery. To be profitable for the railroads, intermodal requires large quantities of freight moving between origin and destination areas. Those types of markets are limited. To be economical, intermodal transportation also requires a significant length of haul of 500 to 750 miles, but only 8.6% of freight tonnage moves more than 750 miles, and even freight movements over 500 miles comprise only 13.8% of the market. Rail is also more competitive for traffic that is moving to an intermediate terminal or distribution center, since freight can then be delivered by truck on a just-in-time basis. Most shippers, however, try to keep inventory to a minimum to reduce costs, which works against the use of rail transportation.

Even if rail intermodal were able to draw freight from trucks, this might actually exacerbate rather than alleviate highway congestion and its attendant problems. Rail intermodal movements begin and end with a truck movement. Almost always, these truck movements occur in an urban area. Therefore, the truck travel that is eliminated in a rail intermodal movement is that which occurs on rural Interstate highways, where congestion, safety and environmental impacts are negligible. Nor should the impact of the rail trip on congestion and safety at railroad grade crossings or the noise and air pollution associated with diesel locomotives be ignored – it could be substantial.

Various studies show that even with massive public subsidies of freight rail, the most that can be achieved is a *slight* reduction in the *growth* of truck traffic, and not the existing truck traffic. Freight rail investment *cannot actually reduce* the number of trucks on the road.

For example, the I-95 Corridor Coalition conducted a study (called MAROps) to determine the potential impacts of a \$6.2 billion rail investment on truck traffic. For a \$6.2 billion investment, the *growth* in truck tonnage will only be cut to 66 percent instead of 72 percent without the investment. Likewise, the *growth* in ton-miles will be 72 percent instead of 88 percent. The *growth* in loaded units will be only 6 percentage points less (69 percent vs 75 percent) and the *increase* in vehicle miles traveled will come in at 73 percent compared to 87 percent. There are benefits from the rail investment, but they are relatively small for a rather large investment and, even with it, there will still be huge increases in truck traffic. (See attachment 3)

Another study conducted for the Virginia Department of Rail and Public Transportation<sup>1</sup> looked at the impacts of truck traffic on I-81 in Virginia resulting from a hypothetical \$8 billion rail investment in 13 states along the Interstate 81 corridor. It found that 30% of future truck trips could be diverted to rail over the long term. However, because I-81 truck trips are expected to double by 2020, even with this hypothetical investment, there would still be 40% more truck trips on I-81 in 2020 than there are today.

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<sup>1</sup> *The Northeast-Southeast-Midwest Corridor Marketing Study, Examining the Potential to Divert Highway Traffic from Interstate 81 to Rail Intermodal Movement*; Prepared for the VA Dept of Rail and Public Transportation, December 2003.

Further, an analysis conducted for the Ohio Department of Transportation determined that a 10% reduction in rail operating costs along a Northeast U.S. to Great Lakes region corridor would reduce truck traffic in northern Ohio by just 2.2%. Since the number of truck trips in the corridor is expected to increase at about the same annual rate, any impacts resulting from this modal shift will quickly disappear.

The Alameda Corridor is perhaps the most well-known and most expensive public-private freight rail project to date. So far, however, the project has failed to live up to its supporters' promises. Following construction of the \$2.5 billion rail corridor, railroads today carry just over one-third of the Los Angeles – Long Beach port's container traffic<sup>2</sup>, about the same share that the railroads carried before the project's completion; trucks move the majority of it—about 65%. Despite tremendous growth at the port, the Alameda Corridor is operating at about 50% capacity.<sup>3</sup> While some public benefit has been achieved through elimination of rail grade crossings on local roads, the project's primary goal – improved movement of freight into and out of the ports -- has not been realized. The project was initially conceived as a rail-highway project, but the highway portion of the project was dropped.

### Intermodal Connectors

In a report to Congress in 2000<sup>4</sup>, the U.S. Department of Transportation (DOT) found that highway connectors to ports were found to have twice the percentage of mileage with pavement deficiencies when compared to similar secondary roads that do not serve ports (i.e., non-Interstate National Highway System routes). Furthermore, DOT found significant physical and geometric deficiencies that made it difficult for trucks to move safely and efficiently between the NHS and intermodal terminals. In short, these intermodal connectors are being used for purposes other than for which they were designed, and they are not being maintained. DOT identified 616 intermodal freight terminals in the United States. This includes 253 truck-and-port terminals, 203 truck-and-rail terminals, and 99 truck-and-air terminals.

Efficient intermodal connections are important to the viability of intermodal transportation. The product manufacturer or producer is generally the party that decides how to ship the freight, based on many factors, including just-in-time delivery requirements, reliability of delivery times, security, freight value-to-weight ratios, cost, and the inherent virtues of each mode of transportation. The only way shippers can take advantage of the efficiencies and value of intermodal transportation is if the interfacing mechanisms that join the different freight modes are adequate. Many times, this is not the case.

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<sup>2</sup> *Consolidation Activity in the Southern California Area*; Prepared by BST Associates for the Alameda Corridor Transportation Authority, March 2004.

<sup>3</sup> *Alameda Corridor Transportation Authority*

<sup>4</sup> *NHS Intermodal Freight Connectors, A Report to Congress*; Prepared by the U.S. Department of Transportation, July 2000.

Improving intermodal connections also benefits communities, surrounding ports, rail yards, other intermodal transfer facilities, and the trucking community that services them. In many situations, improving connectors will separate commercial vehicles from surface traffic that passes through congested neighborhoods. Often, these neighborhoods are in clean-air non-attainment areas, and improved intermodal connectors would likely produce more efficient trucking operations, which will in turn result in fewer emissions and cleaner air.

ATA encourages Congress to set aside funding for improvement of intermodal connectors. During consideration of SAFETEA-LU, ATA, along with the members of the Freight Stakeholders Coalition, sought this funding, which was initially granted by both House and Senate bills, but disappeared during conference committee proceedings. Surging trade will place additional stress on connectors in the future. Increased efficiencies in ports, rail yards, and other intermodal transfer facilities will be for naught if the secondary roads that connect them to the National Highway System continue to deteriorate. ATA urges Congress to address this problem before gridlock around our nation's ports and other intermodal facilities becomes a further detriment to the nation's economic health.

The planning processes used by metropolitan planning organizations (MPOs) to address intermodal connectors in their transportation improvement plans also need to be improved. As the Government Accountability Office (GAO) has found in its work on this subject, the planning time frames for the private and public sectors are significantly different, making coordination difficult. The private sector needs to respond to market conditions and opportunities quickly, while MPOs often need 3 to 5 years to build local improvements to intermodal connectors into their plans. In order for the public and private sectors to coordinate effectively, the public sector needs to be able to act more quickly.

#### Projects of National and Regional Significance

ATA supports the concept of the Projects of National and Regional Significance (PNRS) program. We agree that the federal government should focus significant resources on improving those parts of the highway system that, from a regional or national perspective, have the greatest economic impact. We also believe that a much greater share of federal funds should be dedicated to these projects and that more attention should be paid to the needs of freight. In order for this program to be effective, and to ensure that limited resources realize their maximum economic potential, the project selection process must be extremely rigorous. While some of the projects funded under the PNRS program in SAFETEA-LU are meritorious, the most critical needs have not been addressed. A 2004 analysis by Cambridge Systematics for the American Highway Users Alliance entitled *Unclogging America's Arteries: Effective Relief for Highway Bottlenecks* identified the top highway bottlenecks in the country. A follow-up report for the Federal Highway Administration listed the top bottlenecks specifically for trucks. None of the bottlenecks on either list received funding under the PNRS program.

Ideally, an effective PNRS program would identify the most economically significant highway corridors from a regional or national perspective, determine which parts of the corridor need improvement, and dedicate sufficient funding to the project. However, during consideration of SAFTEA-LU, all of the money for the program was simply earmarked. ATA looks forward to working with this Committee, as well as with the entire Congress, to establish a merit-based process for PNRS project selection.

### Intermodal Trucking-Maritime Container Transportation

The explosive volume in global container trade moving through our maritime ports system comprises the largest growth component in domestic intermodal transportation. Unfortunately, in addition to the almost universal challenges of limited funding, land resources and environmental impacts that confront most transportation expansion and improvement projects, system-wide institutional operational inefficiencies affecting port intermodal trucking traffic continue to restrain much needed, cost effective freight capacity improvements. Moreover, these unnecessary operational inefficiencies serve to misallocate scarce driver resources which are obviously necessary to move ever increasing freight volumes.

Because intermodal stakeholders, i.e., trucking companies, railroads, port terminal operators and foreign-owned ocean carriers are of unequal size and economic influence, the truckers' larger "partners" very often dictate the business terms and procedures of truckers' day-to-day operational activities pursuant to the terms of the industry's standard interchange agreement (the Uniform Intermodal Interchange and Facilities Access Agreement-UIIA). The UIIA provides operational provisions for the non-commercial aspects of the marine, rail and motor carrier container and chassis interchange, leaving the commercial aspects (rates, per diem, free time, demurrage, equipment loss and repair, etc.) to individual contract addenda drafted by the marine and rail carriers and issued to participating motor carriers.

Given the size and economic disparity referenced above, these operating agreements are offered to motor carriers on a basically "take it or leave it" basis...do it our way or do no business! As a consequence, it is unfortunately common for the ocean carriers and railroads to make decisions that are beneficial to their respective operations but otherwise often add significant and unexpected time and financial costs to the trucker, as underscored by the recent, almost uniform increases in container related fees, per diem charges, fuel surcharges and reduction in container storage-free times, etc. that have been instituted across the nation's intermodal network. These operational edicts imposed by our intermodal "partners" adversely impact motor carrier financial performance and cause well documented scarce driver resources to be inefficiently deployed and often poorly paid. The fact that these often one-sided operational requirements are imposed by foreign owned ocean carriers and some terminal operators that operate under the protection of antitrust exemptions granted pursuant to the Shipping Act of 1984 also is a major concern of the intermodal trucking industry since we are prohibited from similarly meeting and discussing costs and operations that might otherwise serve to better balance the playing field.

ATA's Intermodal Motor Carriers Conference (IMCC) is working with industry groups and federal and state legislative and regulatory entities to identify and discuss these operational problems, and to, where necessary, rewrite the existing industry agreements to better define and more fairly balance the working relationships and responsibilities of the intermodal transportation stakeholder participants.

### Intermodal Equipment Roadability

Establishing clear federal requirements regarding the overall safety, i.e. "Roadability" of the 750,000 plus container carrying chassis that move on America's highways, has long been a critical concern of the intermodal motor carrier industry. We are most grateful for the work and commitment of Chairman Young and many other members of this Committee which led to the inclusion of SAFETEA-LU Section 4118 – Roadability -- which finally addresses this most important safety and fairness issue.

Historically, the intermodal trucking industry's "chassis problem" centered on the fact that while this equipment is owned by the ocean carriers or railroads, these equipment providers and particularly ocean carriers do not systematically repair and maintain this vital equipment. They do, however, routinely require that truckers pay for chassis repairs even when the needed repairs are a function of normal wear and tear or the deferred maintenance practices of the equipment owners. However, once the expected Roadability regulations required by Section 4118 are issued by the Federal Motor Carrier Safety Administration to implement the new law, ocean carrier and other chassis-equipment providers will be legally responsible for systematically maintaining intermodal chassis. DOT will also have authority to inspect intermodal chassis and take out of service equipment which fails to comply with applicable safety regulations. Moreover, chassis deficiencies identified during highway-roadside inspections will now be charged to the equipment provider, not the truck driver as has historically been the practice.

On a cautionary note, given the safety and efficiency improvements that will clearly be generated by the promulgation of the Roadability regulations, ATA is concerned that FMCSA has just recently announced that release of the regulations has been delayed yet again until October, 2006 at the earliest. Considering that the congressional mandate was to have the proposed rules published in December, 2005, we believe Congress should urge the agency to redouble its efforts and move the internal development and approval process along with a much greater sense of urgency.

### Port of Virginia Successes

ATA and its intermodal conference would also like to take this opportunity to publicly thank officials at the Port of Virginia and the Virginia Port Authority for their leadership role in establishing port-wide efficiency improvements which have greatly streamlined and improved container intermodal interchange operations. The Hampton Roads Chassis Pool, which allows truckers to maximize their available hours-of-service time by using-keeping the same chassis for multiple container interchanges through out the entire port complex is now being studied and, at least in part, replicated by other port facilities and

container terminals around the country. Importantly, Virginia port officials included the motor carrier community in all of their initial planning processes and as a result went beyond direct equipment pooling issues to address many trucking interchange operational practices and procedures that have previously been ignored or neglected by the port and terminal industry. As a result of this “all inclusive” approach to port management, changes implemented at Port of Virginia facilities now serve as an industry benchmark because they have greatly improved overall system efficiencies for all intermodal stakeholders and significantly reduced the number of chassis needed to support port operations and provided motor carriers with safer, better maintained and much more reliable container hauling equipment. In an industry historically managed with the silo mentality of “what’s good for my operations”, Virginia’s now proven inclusive approach will hopefully launch a new era in port management cooperation and provide the efficiency improvements needed to meet the growing demands of global trade upon which American consumers depend.

### Summary

ATA wishes to thank the Subcommittee for the opportunity to present its views on intermodalism and the role it can play in America’s freight distribution system. I would be happy to answer any questions you may have.







