

Kirk. T. Steudle, P.E., Director

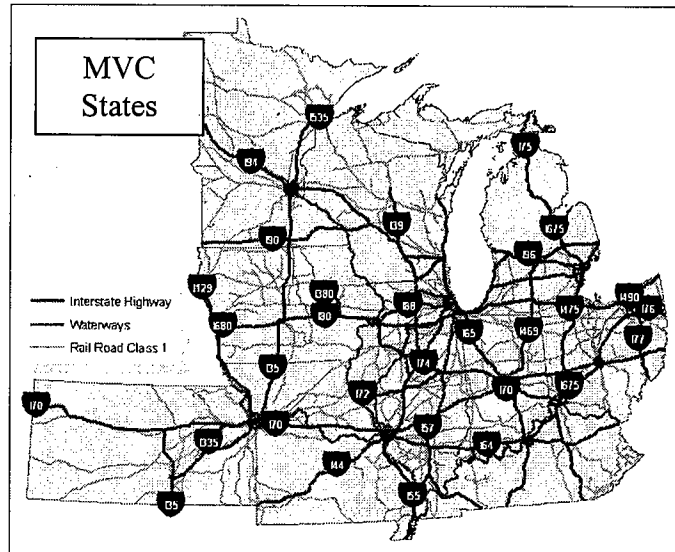
Kirk Steudle has been with the Michigan Department of Transportation since 1987, rising through the ranks to the position of director in 2006. A licensed professional engineer, Director Steudle has served MDOT in various positions including Chief Deputy Director, Bay Region Engineer and Deputy Region Engineer for the Metro Detroit Region. As state transportation director, he is responsible for administering a highway program with 9,716 miles of state trunkline and 4,400 state highway bridges, a department with 2,800 employees statewide, and such multi-modal programs as transit, air, rail, marine/port and nonmotorized transportation..

Born and raised in Adrian, Director Steudle graduated from Lawrence Technological University with a Bachelor of Science degree in Construction Engineering. He represents MDOT on the Michigan Transportation Asset Management Council and chairs the AASHTO Subcommittee on Asset Management and also is nationally known for his work with Vehicle Infrastructure Integration (VII), the technology that enables vehicles to communicate with the road network for greater safety and mobility.

And now it is my pleasure to (welcome/introduce) Director Steudle.

Testimony
National Surface Transportation Policy and Revenue Study Commission
April 18, 2007
Updated: March 30, 2007

We are here representing the states of the Mississippi Valley Conference of the American Association of State Highway and Transportation Officials (MVC). These states have formed a coalition to cooperate in improving the movement of freight throughout the region. We have done this because we recognize the importance of freight to the economy of the region and the challenge we face in keeping freight flowing. The states met in February with representatives from private sector freight interests and Metropolitan Planning Organizations to develop this testimony.

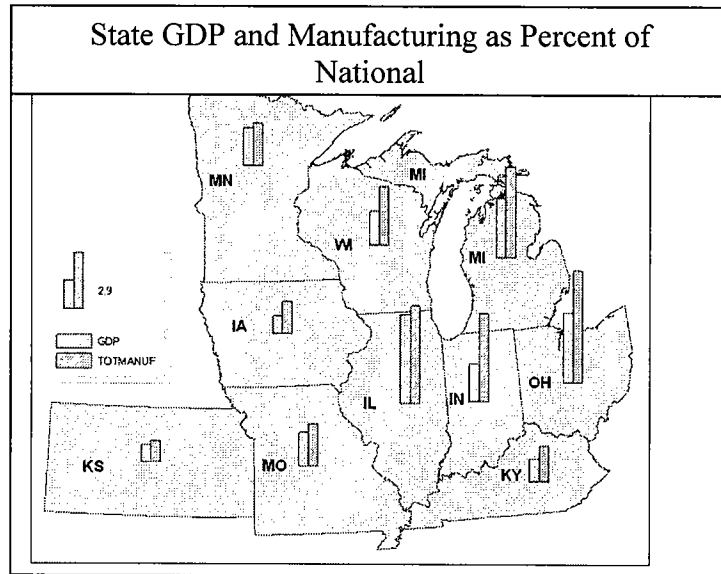


The states of the MVC region have come together to study traffic and freight movement within our region and the movement of our products into the world economy. This testimony will expand upon the following recommendations to the commission.

- Congress needs to elevate transportation to a national priority with the communication of transportation's importance to elected policy makers and the general public.
- Congress must provide the tools, information and support for strategies that allow the efficient operation of our nation's transportation system, the removal of major bottlenecks in all of our transportation modes and address the capacity issues of each of our modes.
- It is time for the nation and Congress to revisit and identify the components that comprise our national transportation system as one system, made up of our roadways, rail, water and air priority corridors.
- The collection and evaluation of comparable data is key in the performance evaluation of the system. There is a role for uniform data collection and availability that can only be acquired on the national level. Congress must support methods to allow the collection and availability of critical data.
- There must be predictable and sustained funding programs available to all modes to support the nation's transportation needs.

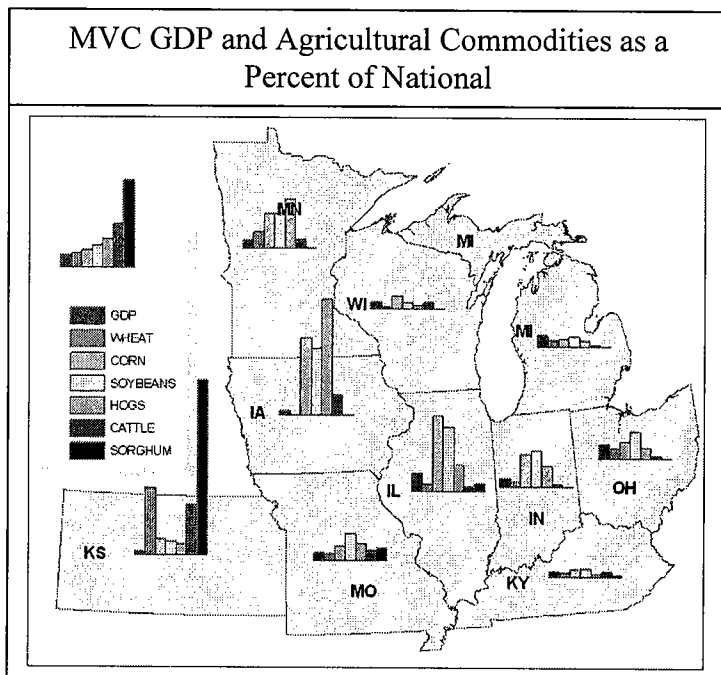
You have heard good descriptions of this challenge in all of your hearings. Freight is growing. As truck miles grow even faster than passenger miles, our major highways are increasingly congested. Our rail corridors are also increasingly congested. This congestion is a problem for the entire nation, but it is a particular problem for the states of the MVC. Our economy is

more heavily based on manufacturing than the nation as a whole. Every state in the region has a greater share of national manufacturing than it has of national GDP. Some, such as MI, IN and OH, have a more marked dependence on manufacturing. The region is also heavily reliant on agriculture; most of the ten states are leaders in grain, pork, beef, sorghum or produce production. In addition, these states, at the center of North America, are home to many warehouses and distribution facilities that move consumer goods to retail operations. These economic sectors rely upon efficient and effective freight transportation. Congestion threatens that efficiency and effectiveness. We depend on efficient connections to the national and global markets.



The actions of individual states and regional coalitions, such as we have formed in the MVC, are not enough to solve this problem. We need strong leadership from the federal government. The core of that leadership must be in the articulation of a national transportation strategy and creation of the tools, laws, and revenue sources that will allow implementation of the strategy.

A national transportation strategy must include the following:



- Recognition of transportation's importance, both freight and passenger, to the national economy and to national security.

- Commitment to providing adequate transportation capacity and global connectivity.
- Commitment to using all transportation modes effectively.
- A commitment to research, information gathering, and workforce development.
- A commitment to maintaining a healthy federal share in the funding of transportation services and facilities

Each of these five points is critical to the overall success of our transportation system. Each deserves further development.

Transportation's Importance to the Economy and National Security

In the recent past, policy makers at both the state and federal levels have tended to view transportation as a cost rather than as a necessary investment. Recognition and articulation of transportation's importance to both the economic health and security of the country will confirm that transportation is a critical investment.

Transportation economics indicates that investments in transportation infrastructure reduce costs and improve reliability. This, in turn, increases productivity, which improves our competitive position and results in economic gain. National studies of highway investments have pointed to net rates of return between 20 and 50%, which compares directly with returns to private capital in the range of 16 to 18%. Several states in the region have taken a somewhat different approach to analyzing the impact of highway investments. They have calculated returns over the life of a facility to typically fall in the range of three to four dollars for each dollar invested.

We can also look to our history. The economic vitality of our nation followed the development of transportation arteries: first waterways, then rails, then highways, and finally airports. Without access to transportation, Chicago, St. Louis, Minneapolis, Detroit, Kansas City, Cincinnati, Toledo, Milwaukee, Davenport, and Indianapolis would look and function much differently than they do today. Without access to efficient transportation, the industries that thrive in each of these cities would wane or be forced to relocate.

Unfortunately, each of these cities has already experienced the loss of some industries and reductions of others. Manufacturing, in particular, has followed global markets to countries in Latin America and Asia with lower labor costs. Transportation costs have often been a factor that keeps manufacturing competitive in our region. We want to keep that advantage. To keep our edge in transportation, we have to invest in transportation improvements, as our competitors around the globe are investing. We can no longer rely on a "completed" interstate system or a rail system that has become congested and needs significant improvements to allow the fluid movement of freight. Nor can we allow our inland waterways to fall further into disrepair.

The importance of transportation to national security was once clearly understood. The Interstate System was originally the National Defense Highway System. It was designed

to carry troops and materials efficiently in a time of national emergency. In the Twenty-First Century, the nature of potential national emergencies has changed. While the need to deploy troops and equipment rapidly still exists, our concerns now include natural and intentional catastrophes such as Hurricane Katrina or the 9-11 attacks. Our transportation system must be able to evacuate people from major urban areas when disaster happens. It must also be able to move large amounts of emergency relief and reconstruction supplies to needed locations. Moreover, the system must be able to move those people and supplies, even if the disaster impairs one or more major corridors.

We recommend that this Commission and the US Department of Transportation regularly communicate to elected policymakers and the general public the importance of transportation, including the movement of freight, to our nation's economic health and security. As this tie is described and confirmed, it is our hope that the national policy and budget making discussion will focus on how investments in transportation can benefit our nation.

Adequate Transportation Capacity

You have seen the graphs and you have heard the numbers. Highway vehicle miles of travel have doubled over the last two decades, while lane miles have increased by five percent or less. Railroads are carrying increasing amounts of freight on fewer miles of track. As global trade and competition intensifies, U.S. manufacturing operations must effectively move products with speed and efficiency. Existing facilities will stretch only so far. Capacity must be expanded to accommodate growth in passenger and freight traffic

Highway Operations Management

The first series of actions that should be considered in dealing with highway capacity constitute better management. This involves using technology that is interoperable and consistently implemented over wide regions. We generally think of this technology as Intelligent Transportation Systems (ITS). It can involve a range of tools designed to help traffic move more quickly and efficiently. Advanced traveler information systems that provide travelers, truckers and automobile drivers, the information that will allow them to avoid roadway segments impaired by crashes, work zones, planned events or weather can provide the most immediate benefit. But to be effective, such systems must be implemented over a large corridor with equipment that interacts easily across state boundaries and provides consistent, reliable, and timely information.

The federal government must define strategies and standards for implementing advanced traveler information and other appropriate technologies, including development of broadband WI-FI standards. Such strategies should include standards for interoperability, so that hardware and software used different jurisdiction can interact effectively.

Removing Bottlenecks

Creating more capacity should next focus on a systematic effort to reduce bottlenecks of regional or national significance. Constrained border crossings, substandard interchanges, lane drops, and persistent weather-related roadway impairments are all examples of

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bottlenecks that can and should be addressed. For example, fixing the border crossing at Detroit or the congestion problem in Chicago are both important to the host states, but they are also of great importance to the region and the nation. A federal initiative, including funding and incentives for action, is needed to address these types of bottlenecks. Such improvements will have a major beneficial impact on the flow of regional freight. This federal initiative should define criteria for identifying nationally significant bottlenecks and provide higher federal participation rates for projects that address those problem areas. The federal government might also consider steps and incentives to encourage states to pool resources to address regional bottlenecks.

Highway Capacity

Better traffic management and eliminating bottlenecks will make a difference. They will buy time; but if the expert's projections of the growth in truck-carried freight and automobile miles are correct, we will have to add mainline capacity across the nation. That capacity could take several forms: more general highway lanes, truck lanes and HOT lanes. If the states in our region were polled, all of these solutions would get some support. Ohio, Indiana, Illinois and Missouri are now studying the feasibility of adding truck lanes to I-70. Illinois and Indiana are looking at a new route that would essentially be a southern bypass of the Chicago metro area. Various toll configurations are also being studied or implemented across the region. These and other innovative capacity solutions will have a place in meeting the transportation needs of the future, but they should be implemented with a national system in mind.

We tend to forget that many segments of the current Interstate system were completed before the Interstate program was enacted. Those segments had only limited impacts before they were connected to the national system. The same will be true of any capacity that might be added to the current system. We need to think in terms of a national system and the national impacts of our decisions.

The federal government should take a leadership role in engaging the states and industry to develop a national system and a national strategy for increasing highway capacity. The products of that engagement should be the definition of a national freight system, that includes the current Interstate system, and a portion of the National Highway System; agreement on a national strategy (or strategies) for adding needed capacity, general lanes, truck lanes or some other configuration; and appropriate incentives to the states for implementing the national strategy, increased federal participation rates seem most reasonable. This is the model that was used and that worked to build the Interstate system in the 1950's and 1960's. It could work well again.

Rail Capacity

Private companies control rail capacity. Increasing rail capacity requires augmenting the ability of those companies to construct additional capacity. Tax policy is the most direct approach to accomplish this. Class II and III railroads now enjoy a tax benefit for investments in infrastructure maintenance. Extending similar provisions to the class I railroads or allowing them to accelerate depreciation for investments in capacity would increase their ability to provide more capacity by effectively reducing their cost for

investing in infrastructure improvements. The Commission should urge Congress to provide such incentives.

In the longer term, the federal government may need to take a larger role in addressing railroad capacity. It may be necessary to initiate a program that brings the railroad to the table to discuss how to create a National Freight and a National Passenger Rail Network. Loans, grants, and other incentives will be needed to motivate railroads to engage in public-private partnerships that address capacity in areas where volumes are lower than needed to provide an acceptable return to rail companies, but where sound rail service may be in the overall public interest. Federal financial assistance, outside the Highway Trust Fund, may also be necessary to remove rail bottlenecks, such as those that now exist in the greater Chicago area. Direct federal aid should be structured into rational, ongoing programs. Making aid available to all locations with the greatest need would eliminate the necessity for Congressional earmarking.

Utilizing All Transportation Modes Effectively

The US has an unfortunate history of programs that promote modal stovepipes in the public arena. As we face the challenges of constrained capacity, more expensive fuels and concerns of air quality, all modes should be used in an efficient and complimentary manner. Each mode has inherent strengths and weaknesses. Our goal should be to maximize the strengths and minimize the shortcomings in the movement of freight.

Public policies should encourage the efficient use of all modes. Some of the measures that could be considered include:

- Expanding use of pre-clearance techniques to streamline the paperwork involved in intermodal transactions.
- Investing in research to improve the technologies of intermodal transfer with the goal of making such transfers more economically and temporally competitive.
- Increasing the payload weight limits for short haul of truck drayage of shipments moved largely by rail or water.
- Revising tax policies, such as the Harbor Maintenance Tax, which now make the use of our abundant waterways less competitive.
- Defining special corridors as trade zones to increase the traffic density, making rail movements more competitive. This includes the support for initiatives like SMARTPORT in Kansas City and other inland port development.
- Encourage and provide incentives for private sector investment in intermodal terminals and connections to make intermodal operations more efficient and competitive.
- Encourage and provide incentives for private sector investments together with public funding to remove intermodal and intramodal bottlenecks, such as the CREATE project in Chicago.
- Fully utilizing funding accumulated from the Harbor Maintenance Tax to improve our waterways to increase their use.

- Building relationships with private sector partners that can invest in intermodal facilities as well as locks and harbors and earn an appropriate return through tolls and other fees.

The items listed above are only a starting point. The federal government should make a concerted effort to engage shippers and carriers to identify impediments to efficient freight movements and then strategies to reduce those impediments.

Research, Information Gathering and Workforce Development

Research, information gathering and workforce development programs often seem to be the easiest items to cut or scale back to reduce spending, but that is a false economy. We need to make investments in these areas to keep our technologies and processes current, to ensure that we are addressing the right problems correctly and to ensure that we have adequate numbers of trained people.

Research

Research efforts should be productively pursued in a range of areas: intermodal transfer technology, safety, highway operational management systems and truck, ship and locomotive design. But one of the greatest needs in transportation is in alternative, sustainable energy sources. Transportation is a very energy intensive activity. It is now almost entirely dependent on petroleum-based fossil fuels. That source of energy is becoming more costly; it is increasingly unreliable; it is a threat to our national security; it is harmful to our environment; and it will eventually run out. Some of us can remember the early 1970's when energy independence was a national goal, but then oil prices fell and it was no longer an important national goal. Thirty-five years have passed and we are further from energy independence. We must find alternative energy sources to power our vehicles. Our region is already a leader in bio-fuel production, but we are still dependent on petroleum. Wider use of bio-fuels, fuel cells, hydrogen, hybrids, electricity, clean diesel and others all probably have a place, but they will not mature and become readily available until the federal government provides the leadership to make them widely available and competitive with petroleum. The federal government should assign a very high priority to leading the effort to find, refine and make available alternative energy sources.

Making Information Available

Understanding the impact of public actions in freight transportation is difficult without good information on the products being moved, where they are coming from and where they are going. In the past, the federal government played a key role in providing some of this information, but budget constraints have reduced that effort. For example, the scope of the commodity flow survey has been reduced, making it a less useful source of information. Whether it is through its direct efforts in things such as the commodity flow survey, or in support of the efforts of the states, the federal government must commit itself to maintaining and improving sources of information relative to the movement of freight.

Workforce Development

Skilled employees are required to operate our nation's trucks, trains and ships. Finding, training and retaining qualified employees are challenges, particularly in the trucking industry. And yet, there is no easy way for new drivers to enter the workforce. Our rules require that a driver be twenty-one to drive in interstate commerce and that he or she have experience to be covered by most truckers' insurance policies. At the same time, most states allow eighteen year olds to drive in intrastate commerce. In some states, where farm trucks are considered implements of husbandry, even younger people are legally permitted to drive.

The federal government should provide leadership for the states and the industry to establish a sheltered new driver intern program. Such a program would recognize that it is less dangerous to drive the few miles across state lines from La Crosse, WI to La Crescent, MN than it is to drive instate from La Crosse to downtown Milwaukee, WI. Currently an eighteen year old can do the latter but not the former. The program would also outline training requirements, supervised driving requirements and types of equipment to provide a new driver a sound set of experiences before he or she moves into larger, more complex vehicles and driving situations. The result would be progress in meeting workforce needs as well as developing safer drivers.

Maintaining a Federal Financial Commitment

Making the investments we suggest in our transportation facilities will require additional funding. The federal government should take the lead in providing that funding for investments that have a national significance.

As a Mississippi Valley region, we continue to believe that user fees are the most appropriate way to raise revenues for transportation, but existing user fees may no longer be adequate or appropriate for future investments. Other options including, VMT taxes, weight-distance taxes, bill-of-lading taxes and tolls have been suggested. We have no new ideas to offer here, but these options and others should be considered to ensure that the revenues available to the federal government for transportation are adequate, sustainable and reliable. There must be predictable and sustained investment programs. Those programs must be expanded both in size and to cover all the modes. More revenues --collected from all modes-- are needed to fund needed transportation improvements.

As funding is provided, an effort must be made to find a balance between flexibility for rational state decision-making and alignment of funding to national priorities. To the first point of balance --flexibility - we urge that programs be consolidated. Good decision-making is often hampered by categorical funding constraints. Within the federal partnership, states can be trusted to make good decisions, if they have the flexibility to do so. To the second point of balance - alignment to national goals - we urge that federal matching rates be increased as an incentive for the states to make investments that implement a federal strategy. During the Interstate construction era, states opted to use 90% federal money to implement a federal program. A similar incentive would work again. Also, as in the Interstate construction era, significant new federal funding will be

required to cause national strategies to be implemented. Neither token funding nor reallocated funding will make bring a new strategy or vision into being.

Institutional barriers are also sometimes an issue in financing transportation projects in a rational manner. The federal government should take a leadership role in facilitating public partnership to finance and implement transportation efforts. Earlier we suggested aid in allowing states to pool resources to remove highway bottlenecks. This is one example of a public partnership. Establishing multi-state transportation operations partnerships (MSTOPs), in which several states take coordinated actions to manage traffic, is another.

Thank you for the opportunity to present this testimony. Information on the Mississippi Valley Freight Coalition and its current initiatives is available online at www.mississippivalleyfreight.org. The Coalition is affiliated with the National Center for Freight and Infrastructure Research and Education at the University of Wisconsin-Madison, a National University Transportation Center authorized by SAFETEA-LU focused on Sustainable Freight Transportation Infrastructure and Systems.