

Testimony of Glen Weisbrod
President of Economic Development Research Group
to the National Surface Transportation Policy and Revenue Study Commission
New York City, November 16, 2006

Thank you, Mr. Chairman and Commission members, for the opportunity to speak with you about trade and freight gateways. I am Chair of the Transportation Research Board's Committee on Transportation and Economic Development, and President of a consulting firm that works around the country on regional economic development. However, I speak today as an individual who has worked in this field for three decades.

My comments today center on our need to address two key needs: (1) to maintain and strengthen the economic competitiveness of our nation in the face of increasing globalization, and (2) to meet changing infrastructure needs in a way that is cost-effective and distributes benefits for people and businesses throughout our land. Our policies towards ports and gateways, and the access routes to them, can have profound implications for both of needs. This finding is based on three key observations.

#1. The role of transportation investment in supporting economic development is greater than ever. There is a misconception among some academics and policymakers that our nation's ground transportation network is becoming mature, that fewer areas are still under-served, and that relatively less capital investment will be needed in the future. That is wrong thinking, for the simple reason that our economic well-being and economic growth depend on maintaining *access* to relevant suppliers and markets, and the nature of those access needs are continuing to shift dramatically as both markets and suppliers change.

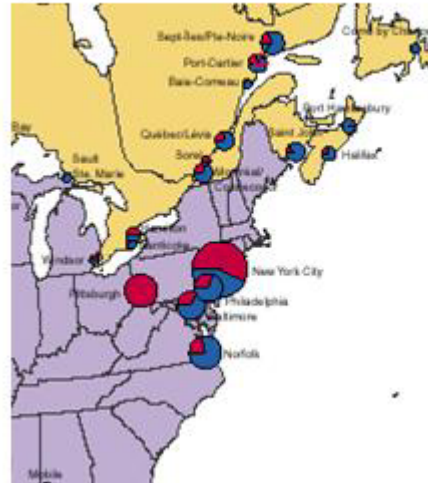
- a) Over the past two decades, the value of our exports to foreign markets and imports from foreign suppliers have increased. Canada and Mexico continues to represent the top two trading partners for the US, accounting for 1/3 of all US foreign trade and the transborder movements via surface modes. In fact, no two countries on the planet have as much mutual trade as the US and Canada. However, in addition to direct trade, there is also a growing segment of the market involving re-exports, whereby US products travel overseas via Canadian ports and Canadian products travel overseas via US ports. This movement is being done because it is economically efficient and aids the economy of both nations. However, trade with our neighbors and overseas transshipments through our neighbors are threatened by greater delays and costs at border crossings. In the long run, both nations but particularly the affected northern border regions of the US, stand to benefit by addressing these issues. The Eastern Border Transportation Coalition (EBTC), a consortium of US states and Canadian provinces, is continuing to highlight these needs.
- b) Today and moving into the future, it is critical to note that the fastest rate of growth in imports and US exports is with Asian nations. Of course, this growing overseas trade requires increasing reliance on sea and air freight, and that puts additional demand on the major US international seaports and international airports. In fact, the northeast coast US ports have gained trans-oceanic freight movements via the Suez and Panama Canals that would never have been anticipated a decade ago. (See Figure 1.) As the northeast ports are a

day closer to Europe than more southern US ports, this trend is accentuating the problem of congestion along highway and rail freight corridors in the northeast region. (See Figure 2.)

Fig.1 Increasing Demand for NE Ports



Fig.2 Concentration of Port Activities



- c) While rail, highway and sea remain major modes of import/export movement, air freight is actually experiencing the fastest growth rate, reflecting the combined forces of just-in-time processing and globalization of markets. Specialty goods shipped by air are a particularly important source of economic growth for entrepreneurial specialty companies. All of these changes are placing increasing demand on airport access and shipment reliability, especially for the air and marine ports of NY and NJ, and the truck (and rail) routes serving them. US International trade data show that businesses exporting overseas, whether located in the Midwest or northern New England, ship significant volumes of products to ports located hundreds of miles away, including most prominently the Ports of NY-NJ. Thus, the role of long distance rail and highway corridors becomes critical for maintaining and improving port access, and thus becomes even more important to support future economic development in those regions.

(Figure 3 shows the location of top origins for products shipped overseas from NY air and marine ports. It is clear that these origins span a distance of 1,000 miles or longer from the port, and they are generally aligned along interstate highway corridors. Figure 4 shows the location of top air and marine ports used for shipping of Massachusetts goods to overseas destinations. Again, we see the long surface transportation distances involved.)

Fig.3 NY-NJ Ports Serve Broad Regions
 (Top Originating States Using NY-NJ Air and Seaport)

NYS, NJ, MA, PA, CT, VT
 CA, UT, OH, IL, MD., MI, TX, NC

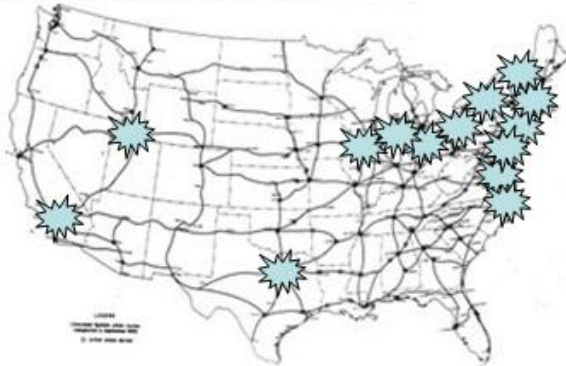


Fig.4. Businesses Ship thru Diverse Ports
 (Top Ports for Massachusetts Exports)

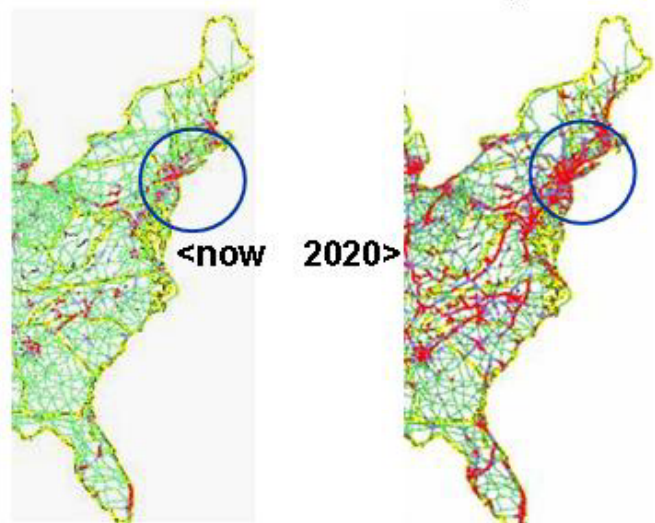
New York, Boston, Anchorage, Buffalo, Cleveland,
 Highgate Springs VT, Champlain-Rouses Point NY,
 New Orleans, Chicago, Detroit, Miami, Los Angeles



#2. Air and seaport growth is limited by continued congestion growth. While transborder movements depend on rail and highway access, overseas air and sea shipments also depend critically on those same two modes for *ground access* to/from US air and marine ports. These ports are thus equally affected by highway congestion whether it occurs across urban areas, is spread along major inter-city corridors or is concentrated at choke points along routes to/from airports, marine ports or inter-modal rail terminals.

- a) From an economic development viewpoint, the stakes associated with controlling congestion are also increasing, as we see a spreading of business supply chains along highway corridors. That is a reflection of the increasing role of just-in-time inventory, assembly and delivery processes. It is also a growing source of concern about the broad negative implications of congestion and reliability problems for inter-city truck shipments. A recent Portland (OR) study is most illustrative of the ways in which highway congestion affects regional economic growth, as it shows how major regional employers suffer economically when highway congestion affects their airport, seaport and business market access times and costs.
- b) As our dependence on international materials, customer markets and visitor markets grows over the next fifty years, the potential losses associated with unchecked congestion growth can be staggering. These stakes are potentially greatest for the northeast states, which now relies disproportionately on the JFK Airport and the Ports of NY and NJ for overseas freight movements. While New England has its own air and marine ports, that region also depends substantially on access to the NYC region for the vastly wider range of international origins and destinations served by those

Fig.5 Traffic Congestion Growth is becoming severe in the NY-NJ-CT Region

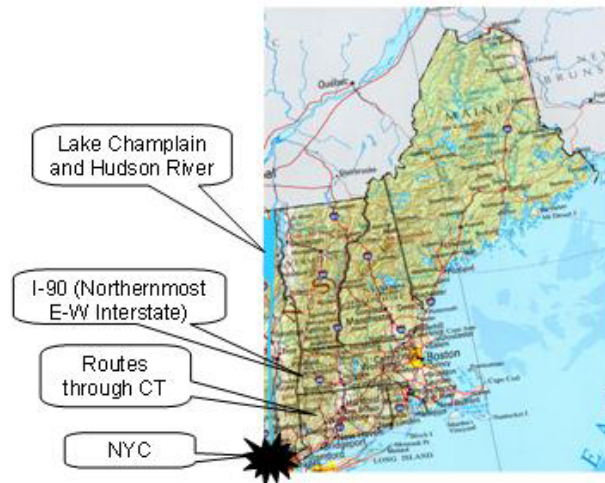


facilities. However, congestion along major interstate highway and rail routes in Connecticut and New Jersey threaten to significantly limit future growth of freight movement between outlying areas and the freight gateway facilities in the NYC region. (see Figure 5.) The Port Inland Distribution Network (PIDN) is a developing system of “inland port” (remote rail and barge) facilities that can move freight to and from the ports while eliminating truck movements through the worst congestion near port facilities. That can defer the congestion problem, but in the long run, it alone cannot solve the broader northeastern freight congestion problem.

#3 The northeast US can benefit substantially from increasing options for freight routes and gateways. Despite growing use of air transportation, the mountains, rivers and historical locations of transportation facilities in the northeastern US act to constrain the region’s transportation networks and make this region potentially more vulnerable to future economic loss than other parts of the nation. They increase the potential for cutting off the economic growth of currently thriving areas and further isolating depressed northern regions of New England over the next few decades. That makes it particularly important to consider broadening freight routes, border crossings and port options for the future.

- a) The topography of mountains and rivers constrains transportation access to eastern ports more than even western ports. For instance, the Hudson River and Lake Champlain together form one major barrier to rail travel. As a result, the region directly east of the Hudson (including all of New England) has far less freight moving by rail than the area directly west of the river, for the simple reason that rail lines crossing the river are extremely limited. That makes all of New England far more dependent on truck movements and its economy more vulnerable to congestion occurring at Hudson River crossings and congestion along the few western Connecticut access routes to NYC. If not addressed, growing congestion along Connecticut highway and rail routes, combined with limited crossings of the Hudson River, could eventually choke the economy of the Boston region as well as the rest of New England. (See Figure 6.)

Fig.6 Constraints on New England Connections



- b) Already, the northern tier of New York and northern New England are looking to Canadian trade routes and ports (including connections to the ports of Montreal, St. John and Halifax) as alternatives for obtaining international access. In fact, the connections between these regions and Canada will become increasingly important in the future, although they are now being hurt by increasingly fees and inspection delays that hopefully will not persist in the long run.
- c) The eastern border of US and Canada is the only part of America's border that bends back on itself (dipping north and south twice). That creates a situation where the shortest and most direct path from the Great Lakes and Midwest to Europe would actually be via North American routes that twice cross the US-Canada border before leaving from ports in Maine or Atlantic Canada. Both nations now incur higher transportation costs by using less direct rail and highway routes that avoid the US-Canada border and rely on ports further away from Europe. (See Figure 7.) The "Northeast CanAm Connections" (aka Northeast Border Transportation Corridor) study is a federally funded effort in which four US states and five Canadian provinces are working together to study surface transportation (rail and highway) improvement options that could address freight movement and port access issues affecting both countries. Their motivation is explicitly to improve the economies of northern NY State, northern New England and eastern Canada.

Fig.7 Cross-Border Avoidance Issues



- d) Looking ahead for the next fifty years, it is critical for economic development reasons that we expand the range of options for international airports, seaports and the road and rail corridors serving them. There are three reasons for this:
1. *Congestion Impacts.* While sea shipping companies may see substantial economies of scale from concentrating at mega port facilities, the flip side is that ground transportation companies, businesses that depend on the shipments and the public sector can all face the higher "externality" costs of rising road and rail transportation congestion. This leads to higher labor time costs, reduced schedule reliability and greater air pollution costs associated with more congested road and rail networks at those port locations, along corridors serving them and in the regions around them. Increasing future options that avoid congestion costs can thus be attractive.
 2. *Infrastructure Costs.* The public and private costs of continuing to add ground-side road and rail capacity to stem that rising congestion associated with air and seaports can become very high over the next fifty years. Costs of adding capacity also become particularly high when the congestion is concentrated at specific urban facilities and corridors, where options for adding capacity are both limited and costly. On the other hand, upgrading capacity and routes serving additional ports and border crossings that

are not congested can potentially enhance overall system capacity at a lower capital cost.

3. *Regional Economic Development.* Ultimately, the most compelling argument for expanding our port and gateway options and access routes should be the economic welfare of our citizens. Expanding international trade routes with Canada and connecting Atlantic port facilities can potentially help to reduce the access isolation and resulting depressed economies of New England's northern tier. It can also help to increase options for American freight moving to/from the upper Midwest.

In closing, I want to point out that a fifty year time horizon is quite useful for looking at the logical extension of our current trends and the potential implications of allowing a "status quo" scenario to unfold. With investment in our multimodal international trade gateways and land corridors, we also have a unique opportunity to simultaneously address both urban congestion and rural isolation in ways that can ultimately be of benefit to all Americans. This will depend on developing inter-governmental cooperation to link infrastructure investments across our borders, but the dividends for our nation's long-run international competitiveness can be substantial.

Thank you for your time.