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Freight and the Importance of Transportation Infrastructure

Hello. My name is Paul Haaland. I am the Assistant Director of Research and Communications for The Road Information Program, otherwise known as TRIP, a national highway transportation non-profit research group. I am here at the request of the Pennsylvania Highway Information Association.

TRIP was founded in 1971 and we research, evaluate and distribute economic and technical data on highway transportation issues. We specialize in state road and bridge conditions reports, and over the past 25 years, TRIP has analyzed conditions in nearly every state in the country, including Pennsylvania.

On a personal note, I am a former newspaper reporter from Pennsylvania; I worked for newspapers in Gettysburg and Johnstown. In Johnstown, I covered transportation issues, observing firsthand the problems confronting communities with inefficient connections to the wider transportation system.

When I arrived in Johnstown, the only scheduled, commercial airline service

from the area's small airport was to Pittsburgh. This situation was inconvenient and expensive for business travelers who made frequent trips to cities to the east. Many of the stories I wrote about aviation concerned local efforts to expand service from Cambria County's airport.

Johnstown is an economically-depressed city and it needs the jobs provided by commercial growth, yet business leaders told me that the lack of adequate transportation connections made it more difficult for them to expand their operations.

I was asked to testify on the importance of freight transport and the growing need here in Pennsylvania for improved intermodal transportation systems and on what other states are doing in this area.

The efficient movement of goods has long been a major component of a successful economy. With the advent of the global economy and international competition, businesses are under pressure to eliminate inefficiencies in their production and distribution systems.

Freight transport is a huge part of the American economy and Pennsylvania

plays an important role in facilitating freight movement; more than \$6 trillion worth of freight is moved on the country's transportation system and Pennsylvania carries the most truck traffic of any state along the Eastern seaboard. Only three other states in the country have more Interstate miles than the Keystone State. In addition, \$248 billion worth of goods are shipped from destinations within Pennsylvania annually -- 80 percent by highways.

State governments in the United States and governments overseas are recognizing the urgent need to upgrade their transportation systems to position themselves to succeed in the new economy. In Europe and Asia, thousands of miles of new highways are being built to improve the competitiveness of their own economies. Highways are only part of the solution however. An efficient and comprehensive transportation network also includes railroads, airports and waterways, since freight is often conducted via several modes.

In this country, some state governments have embraced the challenge of the future. California, Oregon and Texas, to name just three, have all developed or begun to implement, intermodal transportation plans designed to improve the movement of freight.

In California, inadequate capacity has created bottlenecks in local transportation systems serving the ports of San Diego, San Francisco, Oakland, Long Beach and Los Angeles. The 20-mile, \$2.3 billion Alameda Corridor project will expand rail and highway capacity from these ports to national rail lines and the Interstate highway system. The Southern California Association of Governments (SCAG) currently is studying an \$8.7 billion system of 141 miles of truck-only lanes to meet the area's growing truck travel needs.

Also, the Oregon Department of Transportation has been developing an Intermodal Management Systems plan identifying the challenges to building connectors to major intermodal freight facilities in Oregon.

Lastly, the Texas Transportation Institute has created, in conjunction with the Texas Department of Transportation, a strategic plan for commercial truck operations in Texas. The purpose of the plan is to prepare a road map for the state's commercial vehicle operations program.

All of these preparations are prompted by the changing realities of freight transport. As an analyst with the Federal Highway Administration (FHWA) has observed, Just In Time shipping and other efficiencies has made the nation's

transportation system “a rolling warehouse.” Companies are trying to cut warehouse costs and free up capital for other uses by putting more and more of their inventory on the road. With more capital on hand, companies can spend more on plant and equipment, R&D and worker productivity, according to the FHWA.

To quote the Review of National Freight Policy by the American Association of State Highway and Transportation Officials (AASHTO), “Products that remain in inventory for too long can become obsolete, due to technology, cost, or style. Businesses can be expected to continue to generate an increased number of more frequent, smaller size shipments, to farther destinations.”

As national and global markets have become more competitive, businesses -- in both the manufacturing and service sector -- have looked for improvements in mobility to improve their competitiveness. It's estimated that logistics and transportation costs account for approximately a quarter of the cost of products on the shelf. As the importance of foreign trade has become increasingly critical to the bottom line of many of our businesses, the reduction in logistics and distribution costs have been critical in allowing American companies to remain competitive with overseas competition.

As the cost of distributing and receiving products becomes increasingly critical to companies' profitability, decisions on whether to expand or relocate facilities increasingly depends on how well-connected a community is to the transportation system. Here in Pennsylvania, regions not adequately served by highways, rail and airports have little hope of attracting significant economic growth.

Research has shown that companies tend to place their production facilities in areas with good access to both raw material and markets, according to a report co-authored by the Boston University Center for Transportation Studies.

Companies are trying to reduce their assembly costs, the costs of transporting raw material to the production site, and their distribution costs, the costs of transporting finished goods to market.

As a result of these changes, freight will become a larger and larger segment of the transportation network. Freight volumes are expected to increase by more than 20 percent by 2006, the FHWA reports.

In addition to needing local roads, which allow companies to draw

employees from a larger area, the business community is increasingly dependent on the quality of the surrounding highway system, as well as efficient and reliable airports, waterways and railroads. These efficiencies have resulted in real savings; as U.S. companies have moved to more efficient distribution systems, overall logistics costs have decreased from 17 percent to 10 percent of GNP in the last 15 years.

Our organization commends the leadership of this body in recognizing the critical importance of freight movement to the quality of life in the Commonwealth. Sound strategic planning is required to address these crucial intermodal freight transport needs.