

TESTIMONY of RAY BURGETT

PIER ONE IMPORTS and THE WATERFRONT COALITION

Before

**DEPARTMENT OF TRANSPORTATION SECRETARY MARY PETERS and
THE SURFACE TRANSPORTATION POLICY AND REVENUE STUDY
COMMISSION FIELD HEARING**

**LOS ANGELES, CA
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Secretary Peters, and the Commission, I would like to thank you for giving me the opportunity to come before you today in L.A. to present a vision for the future of intermodal freight movement in this country on behalf of both Pier One Imports and The Waterfront Coalition. The fact that we are in L.A. today is important. The ports of San Pedro Bay together comprise one of the nation's premiere – if not the premiere – intermodal freight gateways. A company like Pier One Imports, relies on traffic coming through these marine terminals to offer a wide range of products to American consumers.

The fact that we are in L.A. is also important for the impressive amount of intermodal freight that moves through this region. I am sure that the Commission has been presented with a variety of statistics that prove that these ports – and the roads, highways and rails that serve them - are quickly nearing capacity. I don't want to summarize these numbers because I am sure that you have all heard them. However, these statistics are telling because they do confirm the immediacy of the problem if not a crisis.

Congestion caused by inadequate capacity to handle freight – both imports and exports – could prove very costly for the American economy. For a company like Pier One, we rely on speed of delivery of our products to reduce overall costs and deliver a wide range of products at competitive prices to our customers while also expanding and offering employment opportunities in all facets of our operations. It is important to note here that speed is the critical variable. Bottlenecks in this intermodal delivery system – here in southern California as well as across the country – increases our costs. Cargo delays that slow down the system require us to add inventory to ensure that store shelves are replenished. An increase in inventory also results in more goods traveling at any one time through the system on ships, trucks and trains. These added costs – inventory carrying costs and transportation costs – designed to keep products on store shelves inevitably lead to increase in costs paid by our customers. Of source these costs are compounded by the number of companies moving well over a billion dollars of goods each day. With these expenses in mind, it is not surprising that former Secretary Mineta estimated that congestion costs the American economy \$200 billion each day.

Thankfully there is a way out of this morass by developing a national freight policy. In fact, last year former Secretary Mineta announced such a policy which we believe represents a giant leap forward. That policy enshrined in “The Framework for a National Freight Policy” recognizes that both the private sector and the government share in the responsibility to solve this congestion crisis. Transportation providers and users must make changes to the way they do business to make better use of existing infrastructure. The private sector must invest in portions of the freight system in their control as well. The federal government also maintains an enormous role in the process by funding the maintenance and expansion of important roads and highways.

However, this document is only a starting point to address freight mobility in this country. Let me give you our vision of the future for moving intermodal commerce.

First, transportation providers and their customers need to make better use of existing infrastructure by adopting changes to the way we do business. We cannot solely build

ourselves out of this crisis. Shippers and transportation providers will need to move more freight during non-traditional hours through congested corridors. Already here in southern California we are dispatching truck-borne cargo through marine terminals at night when trucks do not compete with commuters which reduces congestion. A similar program exists in New Jersey through Maher Terminals. Other stakeholders in congested regions should consider doing the same.

Transportation providers that own chassis should move towards the adoption of port-wide or regional chassis pools. Pooling this equipment reduces the number of chassis needed while freeing scarce real estate to store more containers. A successful program has been established in marine terminals in Virginia as well as in many intermodal rail yards across the nation. These successful programs have demonstrated the efficiencies gained while also increasing the safety and condition of the equipment.

Private sector stakeholders can also work together to spread out vessel arrivals at marine terminals. Addressing the vessel bunching problem will help to evenly distribute the volume of containers throughout the week as opposed to an inflow of cargo on only a few days a week. As larger and larger container vessels are put into service, the problem of vessel bunching will only increase which means we need to discuss today how to evenly spread out the growing amount of cargo reaching US ports tomorrow.

I'd like to inform the Commission that, thanks to groups like the Waterfront Coalition, we are working with our industry partners to make sure that these business practices become a reality.

However, business practices alone will not be able to solve this capacity crisis. Portions of the freight system in the hands of both the private sector and the government must be expanded and expanded as soon as possible. One of the main features of the freight system in this country is owned and controlled by private interests – the railroads. Many intermodal shippers are experiencing costly rail delays given the growing inadequacy of key segments of the network. Today, Class I railroads are trying to grow their network as quickly as possible by constructing and expanding rail yards, purchasing new equipment and locomotives and laying new track. Given the railroads enormous capital costs, they are having quite a difficult time locating additional resources to make these much-needed investments. Here the federal government can lend a helping hand. We would urge the Commission to seriously consider endorsing attempts to offer investors in freight rail infrastructure a tax credit to help reduce these high capital costs needed to gain access to Wall Street funds.

The federal government can play an even bigger role in this national freight policy by funding important roads and highways that move the commerce of the country. Groups like the Waterfront Coalition have identified many of these important arteries that feed freight facilities, or intermodal connectors. I urge you to take a look at their report titled "The National Marine Container Transportation System: A Call To Action". The recent surface transportation bill, SAFETEA-LU, also referenced these projects in programs such as the Projects of Regional Significance and the Corridors and Borders Program.

Unfortunately, in many cases funding in the bill did not live up to expectations. It is our hope that Congress will share in this vision to fully meet federal obligations in funding for these projects soon.

Locating sources of funding will be difficult as gasoline tax revenues continue to decline. I understand that the Commission has heard testimony concerning toll revenue as a funding mechanism to meet unfunded federal obligations to the National Highway System. Representing a business that relies on the intermodal freight transportation system that includes these vital intermodal connectors, we are concerned that toll revenue may fall by the wayside in funding these projects. In the past, important connector projects like the Gerald Desmond Bridge here in southern California and the CREATE project in Chicago, have failed to receive vital federal funding. As a consumer of transportation services, we are concerned that we would pay additional taxes in the name of user fees that would come on top of existing gasoline taxes without receiving any of the benefits.

I appreciate the opportunity to provide the testimony and this vision of the intermodal freight transportation system of the future. I look forward to your questions. Thank you