

# Freight Stakeholders Reauthorization Agenda Item

## National Highway System (NHS) Freight Connectors

### Proposal

Increase investment in NHS intermodal freight connectors.

### Background

NHS connectors provide for a broad array of intermodal transport services and options. They are typically located in older, industrialized and mixed land use areas that are subject to physical constraints and environmental considerations. NHS connectors support defense mobilization and national security goals. Because of the military's increasing reliance on commercial transportation to move supplies and personnel, intermodal linkages to ports, rail facilities and airports have become an integral part of national defense planning. TEA-21 directed the Secretary to review the condition of connectors and potential investments to improve their condition. In a June 2000 report to Congress, **FHWA found that the connectors have significantly poorer physical and operational characteristics, and are underfunded when compared with all NHS mileage.** These conditions can slow freight movement, damage goods in transit, and decrease efficiency and safety. There are 517 NHS freight terminals (253 ocean and river ports, 203 truck/rail terminals, and 61 pipeline/truck terminals). These 517 freight terminals, augmented by 99 major freight airports, connect to the mainline NHS via 1,222 miles of NHS connectors.

### Specifics

NHS connectors are .75% of NHS mileage. Estimates prepared for USDOT show that the cost of improving connectors to an adequate level of service over the 2002-2020 timeframe is \$3.5 to \$4.0 billion. A 20-year amortization to address backlog and accruing NHS freight connector needs would require approximately \$200 million/year in constant dollars (or more if one assumes accelerated schedules or a higher Federal share). Currently, the Federal program provides 40% of connector funds.

### Funding

The Freight Connectors Study identifies seven options for Congress to consider to bolster funding for connectors, including the following.

1. *A new Federal credit program, similar to TIFIA, targeted at smaller intermodal connector projects.*
2. *Expanding or strengthening the State Infrastructure Banks program, to allow for the capitalization of an intermodal freight connectors account with Federal-aid.*
3. *Creating a set aside of NHS funds for intermodal connector projects.* This could be based on a State's share of the total national NHS freight connector lane-miles. This would give the most funds (viewed as new money) to the States with the most miles and likely the greatest need.

The following table illustrates the amount of funds that could be made available with a set aside of certain percentages of the \$5 billion NHS annual apportionment.

| Percent | Fed Funds      | 80-20 Match      | 40-60 match   | Funds/mile/year |
|---------|----------------|------------------|---------------|-----------------|
| .75%    | \$37.5 million | \$46.9 million   | \$ 94 million | 94,000          |
| 1.0%    | \$50 million   | \$62.5 million   | \$125 million | \$125,000       |
| 2.5%    | \$125 million  | \$156-25 million | \$312 million | \$312,000       |

(Compare to average spent for all Non-Interstate NHS Mileage – \$102,100/mile/year)

4. *Connector incentive grants to overcome some of the problems encountered by the States and local areas in funding freight improvements;*

Another option might be to require that a proportion of each state's NHS funds be spent for connectors, with a possible increase in Federal matching to provide investment incentive.

The Freight Stakeholders coalition encourages Congress to review these and other options and pledges to work with Congress and the Administration toward an effective solution.

### **Benefits**

1. Improves intermodal linkages between rail, highway, water, and air terminals.
2. Provides intermodal options to address National Security objectives (redundancy).