



April 15, 2014

Legislation

House panel explores public-private partnerships in other countries. The House Transportation and Infrastructure panel on public-private partnerships convened its fourth hearing on April 8. The hearing entitled, "The International Experience with Public-Private Partnerships," studied the public-private partnership model around utilized in other countries.

The panel, chaired by Congressman John Duncan (R-TN), is tasked with examining the opportunities for public-private partnerships across all modes of transportation.

"The use of public-private partnerships in this country is fairly recent," Duncan said. "However, many other countries have a much more extensive history of partnering with the private sector to deliver infrastructure projects."

One international financial expert testified during the hearing that Great Britain has completed more than 700 public-private partnership projects since the mid 1990's, and the World Bank has identified approximately 5,000 public-private partnership infrastructure projects in low and medium-income countries completed since the mid 1980's.

The U.S. has been slower than almost all other developed nations in pursuing public-private partnerships for transportation infrastructure projects.

"Most financial experts and public officials around the country believe the U.S. is going to have to go to public-private partnerships in the future as it becomes more difficult to find funding," Duncan said.

Congressmen send bipartisan letter to colleagues urging increased infrastructure investment. Congressman John Delaney (D-MD) and Congressman Mike Fitzpatrick (R-PA) have co-authored a letter to their congressional colleagues to support increased investment in infrastructure. The Delaney-Fitzpatrick letter highlights the potential insolvency of the Highway Trust Fund and possible efforts to use repatriated earnings as a funding fix.

Without Congressional action, the Highway Trust Fund is projected to hit bankruptcy this fall, or even as early as August. Generating approximately \$35 billion each year, the trust fund is comprised of three accounts: the Highway Fund, the Mass Transit Account, and the Leaking Underground Storage Tank Trust Fund. The Highway Trust Fund is financed via a federal fuel tax of 18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel fuel. The taxes are distributed as follows:

Gasoline:

- 15.44 cents – Highway Fund
- 2.86 cents – Mass Transit Account
- 0.1 cents – Leaking Underground Storage Tank Trust Fund

Diesel:

- 21.44 cents – Highway Fund
- 2.86 cents – Mass Transit Account
- 0.1 cents – Leaking Underground Storage Tank Trust Fund

Petri to not seek reelection. Congressman Tom Petri (R-WI) announced on April 11 that he will not seek reelection in November. Petri, 73, has served in Congress since 1979. He is the chairman of the House Transportation and Infrastructure Subcommittee on Highways and Transit.

Surface Transportation Board

Miller confirmed as STB Commissioner. Deb Miller, former Secretary of the Kansas Department of Transportation, was confirmed by the Senate on April 7 to serve on the Surface Transportation Board (STB).

Miller will serve on the independent federal regulatory agency that resolves rail rate and service issues and reviews proposed railroad mergers. Miller was nominated for the position by President Barack Obama last fall.

Miller was the longest-serving transportation secretary in Kansas history and the first woman to hold that position. She was appointed in January 2003 to lead the department and its 3,000 employees. She was reappointed in 2011. Miller received the Transportation Research Board's (TRB) 2010 W.N. Carey Jr. Distinguished Service Award in honor of her exceptional service to TRB. In 2008, she served as chair of TRB's Executive Committee after serving as vice-chair the previous year. Miller left her role at the Kansas Department of Transportation in December 2011 to join Cambridge Systematics.

The STB is led by its three board members—Miller, Chairman Daniel Elliott III and Vice Chair Ann Begeman. Once approved by the Senate, board members serve five years.

Soybean farmer expresses rail service concerns during STB hearing. A director from the American Soybean Association (ASA) emphasized the importance of addressing rail service issues and their negative impacts on soybean growers at a public hearing before the Surface Transportation Board (STB) on April 10.

Lance Peterson, a soybean farmer from Underwood, Minn., represented ASA at the hearing in Washington D.C. He said railroads are an important cog in moving soybeans to market, especially export channels.

“Soybeans are especially impacted by transportation costs,” Peterson said. “Over 50 percent of U.S. soybeans are exported and soybeans and soy products are the leading U.S. agricultural export, with an export value of over \$28 billion in 2013.” Peterson said.

A great deal of discussion has taken place in the last few months in regards to inadequate rail movement in the upper Midwest, Peterson said. Though delays were largely blamed on the harsh winter, he said warmer weather may not fix the problems.

“The real issue is the shifting of rail assets to the rapidly expanding oil industry, (which is) occurring at the expense of long standing shippers,” Peterson said. “Inadequate rail service directly drives up the cost per rail car by thousands of dollars. This is reflected in the price I am paid locally.”

When tabulated for the thousands of farm operations across the upper Midwest, the losses will be in the hundreds of millions and potentially more than \$1 billion.

Peterson testified some farmers are having problems getting operating loans as a result, which would hurt the rural economy. Economical and timely shipment of inputs, like fertilizer, is also a concern.

The demand for soybean rail shipments is expected to continue to grow in key states (like Iowa) where rail service continues to be an issue, Peterson said. ASA will continue to carry the message to Congress and the Administration in support of policies, like tax credits, that encourage or provide direct investments in expanding transportation capacity, including rail, trucks and waterways.

A proposed "competitive switching plan" was discussed during the hearing. The National Industrial Transportation League (NITL) has pushed the idea to bring competition back to the railroad industry.

Railroad officials took issue with the proposed plan, saying it would equate to a "perpetual winter" for railroads, according to a summary of the proceedings by Stifel Nicolaus.

Cressie Brown, CSX's vice president of service design, said, "This past winter, and the operational disruption it caused, gives us a feel for what the (NITL's) proposal regarding forced switching would do to the U.S railroads. Essentially, we would be dealing with perpetual winter."

According to Stifel, the STB heard that grain shippers are shifting to road transportation because they are running out of storage space due to last year's substantial crop. This is forcing shippers to pay more for transportation. Chemical shippers are also seeing capacity restraints on the railroads because of an increase in car-cycle times. Shippers also heaped significant criticism on BNSF's corridor between Chicago and the Pacific Northwest, Stifel said.

"The corridor lacks sufficient capacity to handle all of the traffic growth associated with the market segments the region serves, even under the best of weather conditions," Stifel reported. "But when BNSF's northern system was hit by the harsh 2013/2014 winter weather conditions, service deteriorated further. Other regions of the country, on BNSF and the other Class I railroads operating in the U.S., should rebound from the winter of 2013/2014 during the 2Q14."

Railroad representatives pointed out that they are currently making investments that will eliminate some of the service logjams.

"Much of the success of these plans hinges on the clearing of traffic destined to be switched from one railroad to another in Chicago," Stifel said. "Now that the weather has improved, the backlog is in the process of being systematically cleared, which should restore Chicago to targeted fluidity levels within the next month or two."