

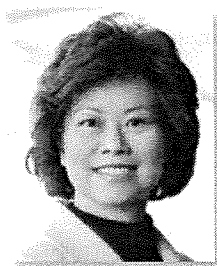


As spring begins in Washington, so has the real work on infrastructure, now that the Trump administration has laid out its proposal and Congress tries to figure out how to pay for transportation projects to support economic and freight growth.

Congress began to take up the issue in March, with two days of House Transportation and Infrastructure Committee hearings that included testimony by Secretary of Transportation Elaine Chao. Chao and other Cabinet secretaries also testified at a Senate hearing.

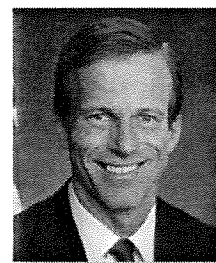
She touted the administration's \$1.5 trillion proposal that is designed to boost the economy, add jobs and raise wages. It includes roughly \$200 billion in federal funds that are meant to be accompanied by private investment and greater state and local decision-making. While there was no specific mention of intermodal, the plan did state the eligibility of freight transfer facilities for new financing options.

At the same time, she noted the administration expects to realize savings of more than \$500 million this year from the speedier review of pending projects.



Chao

"Infrastructure projects in the United States have been routinely and excessively delayed by agency processes and procedures," Chao said. "These delays have increased project costs and blocked the American people from the full benefits of increased infrastructure investments, which are important to allowing Americans to compete and win on the world economic stage."




Thune

The Senate hearing, including four other secretaries, reflected the administration's view that infrastructure should be viewed more broadly as communications, water resources and other activities, in addition to roads and bridges.

Sen. John Thune (R-S.D.), who heads the Commerce Committee, said the testimony "will support a comprehensive public discussion with senators about the White House proposal for aligning federal resources with local infrastructure needs and

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House Transportation and Infrastructure Committee Chairman Bill Shuster (R-Pa.) praised the president’s focus on infrastructure and invited colleagues to build “a bipartisan infrastructure plan that includes a fiscally responsible solution” for the Highway Trust Fund that could become insolvent as early as 2020.

“Congress is running out of options to cover the periodic [Highway] Trust Fund shortfalls,” Shuster said.

Optimism About Legislation

There is some optimism that legislation will materialize this year.

“There is a good chance that an infrastructure package, including a number of elements from the White House plan, can pass this year,” said former Secretary of Transportation James Burnley, a partner at Venable, LLP.

He told Intermodal Insights that “the White House plan is a starting point. Congress will work its will as always and continue to encourage private investment where it can. They will certainly include credit lending programs like the Transportation Infrastructure Finance and Innovation Act.”

Burnley said the administration’s stated commitment to stronger infrastructure is a positive development for freight because it will encourage federal decision makers to address improvements that benefit goods movement.

“It is highly likely that some form of an infrastructure bill will pass for a few reasons,” said Marc Blubaugh, partner at Benesch, Friedlander, Coplan and Aronoff’s Transportation and Logistics Practice.

With tax reform complete, Washington can focus on infrastructure projects with bipartisan support that “simply does not strike the same ideological nerves that health care or tax reform does. President Trump has a natural affinity for infrastructure projects due to his real estate development background – as is evident from listening to him discuss ‘gleaming new roads, bridges, highways, railways and waterways.’”

“The plan that emerges must attend to the vital intermodal industry by ensuring either that the industry benefits from any direct investments being made or that private-public partnerships focusing on intermodal connectors, intermodal terminals, and similar infrastructure are equally incentivized,” Blubaugh said.

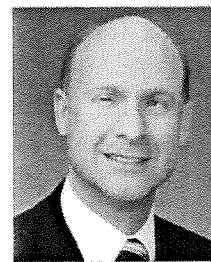
He also said that the regulatory reform process is “most consequential even if not as flashy on the surface.” He cited the development of intermodal

facilities that has been stymied significantly by environmental review processes that are extraordinarily lengthy and costly.

In addition, he noted that public-private partnerships also hold promise for encouraging investment through private activity bonds for projects that local or state governments might view as too risky to undertake.

Burnley doesn’t see a solution to the fuel tax question before next year, given the upcoming midterm elections. “The Highway Trust Fund has collapsed over time,” he said. “A debate has to occur. There is a more serious chance of something happening on that front next year.”

After the administration’s proposal was released, President Trump signaled he might support raising federal fuel taxes to pay for infrastructure. Almost immediately, House Speaker Paul Ryan (R-Wis.) ruled out House action on an increase in federal fuel taxes as a funding option. An increase in fuel taxes, as measured by a Quinnipiac University poll, found about half of Americans favor raising the federal fuel levy.



Blubaugh



Burnley

Stakeholders Weigh In

IANA supports several infrastructure programs to enhance capacity and service, President and CEO Joni Casey said. They include dedicated funding for intermodal freight connectors, and investment tax credits for freight railroad infrastructure. IANA also supports permitting reform that results in reduced time for the

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approval of infrastructure projects that address bottlenecks on the U.S. freight network.

Other trade associations with a focus on transportation have a variety of opinions and expectations about what needs to be done, echoing the disparate focus on how to pay for the improvements.

The growing attention to infrastructure also was evidenced in a two-day lobbying blitz during early March, led by the National Association of Manufacturers and the Associated General Contractors of America, which included more than 120 associations.

Joung Lee, director of policy for the American Association of State Highway Transportation Officials, told Insights, "Everyone has been waiting for that first marker from the administration. Now we have that. The goal would be to get the package across the finish

line before the August recess."

While supporting the passage of legislation, Lee also noted the absence of a fix for the Highway Trust Fund, saying that "AASHTO sees that as a backbone for infrastructure funding. We hope that through an infrastructure bill or reauthorization that the Highway Trust Fund is put in good stead for years to come."

He acknowledged the challenges in finding political consensus for funding options on the federal level, questioned proposals to shift program decisions to the federal level from state agencies and praised the administration for its outreach efforts.

At the same time, he noted that 31 states have addressed their transport funding needs since 2012 by raising fuel taxes or transport-related fees.

American Trucking Associations CEO Chris Spear said, "The fuel tax is the most conservative, cost-effective and viable solution. Ninety-nine cents of every dollar goes directly to road and bridge maintenance, and it doesn't add a penny to the deficit."

Tyler Rushforth, who heads ATA's Intermodal Motor Carriers Conference, stressed the importance of continuing the funding for freight programs that was seen in the FAST Act of 2015. "The greater the direct funding source the better it is for motor carriers that benefit from exit gates, bridges and other road projects," Rushforth said. "The longer we don't have a bigger stream of funding, the worse it is. There isn't stasis in the world of infrastructure."

"As major shippers, retailers face challenges every day as they work to move freight quickly, efficiently and safely to deliver products and meet consumer demand amid a rapid rise in e-commerce," said National Retail Federation CEO Matthew Shay. "We hope bipartisan discussions will advance meaningful solutions to our infrastructure needs, including a long-term sustainable funding source that treats all transportation system users fairly." The retailers haven't yet taken a position on a fuel tax increase as an option as they evaluate all possibilities for funding.

The Association of American Railroads commended the administration for a commitment to streamline the federal permitting process, while also noting that "the most important aspect to any such [funding] package remains the integrity of the Highway Trust Fund. Policymakers should make every effort to return surface transportation funding to a truly equitable, user-pay system as originally designed."

American Association of Port Authorities President Kurt Nagle said, "Our country needs world-class ports and modern infrastructure to remain competitive. Failure to modernize the nation's infrastructure could lead to a \$4 trillion loss of GDP by 2025. We are encouraged by this important step toward modernization."

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