S. HRG. 114–386

KEEPING GOODS MOVING IN AMERICA'S HEARTLAND

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON SURFACE TRANSPORTATION AND MERCHANT MARINE INFRASTRUCTURE, SAFETY AND SECURITY

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

MAY 2, 2016

Printed for the use of the Committee on Commerce, Science, and Transportation

U.S. GOVERNMENT PUBLISHING OFFICE

22–130 PDF WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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KEEPING GOODS MOVING IN AMERICA'S HEARTLAND

MONDAY, MAY 2, 2016

U.S. SENATE,
SUBCOMMITTEE ON SURFACE TRANSPORTATION AND
MERCHANT MARINE INFRASTRUCTURE, SAFETY AND SECURITY,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Scottsbluff, NE.

The Subcommittee met, pursuant to notice, at 10:01 a.m. in the Plex Room, the Harms Advanced Technology Center, 2620 College Park, Western Nebraska Community College, Hon. Deb Fischer, Chairman of the Subcommittee, presiding.

Present: Senator Fischer [presiding].

OPENING STATEMENT OF HON. DEB FISCHER, U.S. SENATOR FROM NEBRASKA

Mrs. FISCHER. Good morning, everyone. I am so pleased to be here in beautiful Scottsbluff, Nebraska for today's Surface Transportation and Merchant Marine Infrastructure, Safety and Security field hearing.

Our hearing is entitled "Keeping Goods Moving in America's Heartland." I am grateful to the Senate Commerce Committee Chairman, John Thune, our neighbor in South Dakota, for providing me with the opportunity to convene this hearing and bring the U.S. Senate here to Scottsbluff.

Western Nebraska values safe, efficient, and reliable infrastructure, which is critical to the local economy. A robust transportation system requires well-maintained roads, bridges, railways, and highways to bring our goods to market. Without it, manufacturers, agriculture producers, and businesses of all sizes cannot offer their products domestically or around the world.

As many of you are aware, Congress passed an important five-year highway bill at the end of last year known as the Fixing America's Surface Transportation, or the FAST Act. I was proud to work with my colleagues on this bipartisan legislation and usher in the first multi-year transportation bill in over a decade. Accomplishing a long-term highway bill was one of my key goals since joining the United States Senate, and I am proud to see this victory achieved for the American people.

The common theme regarding the highway bill is certainty. For nearly a decade, Congress was forced to pass 36 short-term extensions. Congress kicked the can down the road for 8 years, leaving infrastructure projects across the country in limbo. With the passage of the FAST Act, states and localities will now have certainty to plan and implement projects for the next 5 years.

Since my time in the Nebraska Unicameral, I have made funding of transportation infrastructure a top priority. Two of my accomplishments in the Unicameral were the Build Nebraska Act and the State/Federal Dollars Buy-Back Program. Both of these laws have led to increased investment for Nebraska's infrastructure and have helped local communities start and complete vital transportation projects such as the Heartland Expressway.

I brought those Nebraska commonsense solutions with me to help craft the Senate's highway bill. I was pleased that Nebraskans played a strong role by providing important guidance to my office. I have also encouraged key stakeholders from Washington to visit Nebraska. Last year I welcomed U.S. Transportation Secretary Anthony Foxx to Lincoln, where we convened a roundtable at the University of Nebraska Lincoln's Transportation Research Center. We were joined there by local transportation stakeholders representing the railroad, highway, construction, trucking, passenger automobile, and aviation industries.

At this important meeting and at my many listening sessions across the state, the message from Nebraskans was loud and clear: Our businesses, consumers and families wanted a long-term highway bill. They advocated for legislation that reduces regulatory burdens, strengthens safety, and increases flexibility for our state and our local officials.

I was pleased to be appointed as a member of the Highway Bill Conference Committee, which worked to combine the House and the Senate versions in order to craft that final bill. The bill includes several provisions which I was proud to author and enact in the final legislation. For example, as Chairman of the Surface Transportation Subcommittee, I drafted provisions to reform the regulatory framework at the Federal Motor Carrier Safety Administration, or the FMCSA, which has jurisdiction over commercial vehicle safety and operations.

Commercial carriers and businesses across our state will benefit from increased participation, clarity, and also transparency within the obscure and the often controversial regulatory process at the FMCSA.

The FAST Act, it also corrected a flawed FMCSA truck safety scoring program that stakeholders, including law enforcement organizations, were sharply criticizing. Erroneous scores had prompted frivolous litigation and caused carriers to lose longstanding business contracts.

Another provision will provide more career opportunities for military veterans. Under a new commercial driver pilot program, younger returning veterans with commercial driver's licenses, those CDLs, will be allowed to operate commercial freight vehicles across state lines. This will help to address our Nation's serious truck driver shortage while also providing work opportunities for those who have served our Nation.

The FAST Act also offers regulatory relief for agriculture producers who transport diesel fuel for equipment. It offers an exemption for agricultural retailers, employees, and producers from obtaining a hazardous materials driver's license. They will no longer require this license when transporting 1,000 gallons or less of diesel fuel if the container is clearly marked "diesel fuel."

Nebraskan families, workers and businesses will soon see new highway projects up and running at a faster pace as well. This is due to provisions that I championed in the FAST Act that will enable stronger coordination between the Nebraska Department of Roads and the Federal Highway Administration. In key elements of our infrastructure such as rail at grade crossings and bridges, they will also see increased investment at a faster pace.

Under this legislation, rural communities in our state will have additional opportunities for resources to maintain bridge infrastructure through a new streamlined discretionary freight grant program. It includes a 20 percent rural and small-project set-aside. According to the Department of Roads, Nebraska has nearly 3,000 rail grade crossings eligible for public funding. The FAST Act will strengthen the resources flowing to states like Nebraska to enhance the safety of at-grade rail crossings. The FAST Act will assist our railroads and rail workers by providing additional oversight of the Federal Railroad Administration, or the FRA, as it works with railroads on positive train control implementation. The FRA will also be required to clarify the safety benefits of the multibillion-dollar electronic braking mandate that was released last year.

The FAST Act will provide vital transportation resources for localities throughout our country, including our rural communities here in Western Nebraska. Specifically, it includes a new national strategic freight program which will help our state prioritize freight traffic and increase safety. The program provides states with discretion to direct new funds to rural and urban freight corridors with higher commercial traffic.

As states work to develop their freight plans and designate corridors, local public and private transportation stakeholders across all modes will have the opportunity to participate and to provide that valued feedback. First and last mile connectors for freights at airports, trucking facilities and rail yards will also be eligible for increased investment under this national freight program.

There is still much more work ahead for us as the FAST Act takes effect. During our hearing this morning, we will focus on the implementation of the highway bill. I hope we can spend time focusing in particular on rural transportation and the multimodal freight policy program.

I'm eager to hear your ideas about how Congress can continue to strengthen our Nation's transportation system not only for our cities and our urban areas but also for rural and small communities.

I would like to thank each member of our panel for taking the time out of your work week to be here at this Senate hearing. It is an honor to have you before this committee to discuss these important matters.

Our strong panel includes public and private-sector representatives from the infrastructure, trucking, agriculture, and railroad sectors. We will hear from Nebraska's Director of the Department of Roads, Kyle Schneweis—I never get that right—Director Schneweis. Mr. Schneweis has worked on a number of key initiatives to strengthen Nebraska's transportation system. I would also like to point out that the Director and his team were critical in guiding my staff as we worked on the FAST Act. Thank you.

We also welcome Deb Cottier, who is currently the Director of the Northwest Nebraska Development Corporation in Chadron. She has been a strong advocate of completing the Heartland Expressway in Western Nebraska, and I am grateful for the advice she has provided to my office. We've enjoyed a strong working relationship, particularly in developing the highway bill. Thank you.

Grant Holliday is the Chief Executive Officer of the Nebraska Transport Company in Gering, Nebraska, which is a member of the American Trucking Association. In 1973, the Nebraska Transport Company was started with one truck. Today it operates with terminals across the Midwest and elsewhere, and I look forward to hearing from Mr. Holliday this morning regarding the challenges and opportunities facing the trucking industry. Thank you.

Don Overman is the Chairman of the Scottsbluff Western Nebraska Regional Airport, and I want to thank Don for his crucial insight as we worked on the Senate's bill to reauthorize the Federal Aviation Administration. That legislation passed the Senate last month. Thank you. Together, we were able to secure critical funding for Nebraska's rural airports, including a vital provision to ensure that Scottsbluff continues to receive airport improvement program dollars despite downturns in the annual enplanements. I look forward to hearing Don's perspective regarding the airport's economic impact for passengers and cargo movements.

Agriculture stakeholders are being represented today by Mr. Kevin Kelley, the President of Kelley Bean Company. Kelley Bean was founded in 1927 and sells dry edible beans to global markets. Reliable and efficient transportation is critical to the company's business model, and it is a privilege to hear your perspective as a client of our nation's freight transportation system. So, welcome.

The railroad industry is represented this morning by David Freeman, Senior Vice President for Transportation at Burlington Northern Santa Fe Railway. Railroads are integral to Nebraska's heritage and critical to both the national economy and our way of life in this country. We are truly blessed to have the world's finest freight rail network. With two major freight railroads operating here in Nebraska, I am especially glad to hear your remarks about the state of railroads today. Thank you.

Thank you all again for your attendance, and with that I would like to begin with your testimonies.

And we will begin with you, Mr. Director. Welcome.

STATEMENT OF KYLE SCHNEWEIS, DIRECTOR, NEBRASKA DEPARTMENT OF ROADS

Mr. SCHNEWEIS. Thank you, Senator Fischer. I am Kyle Schneweis, Director of the Department of Roads here in Nebraska. Thank you for the opportunity today to testify regarding the impact of freight transportation on rural economies.

As I traveled Nebraska in my first year as director, I heard a lot of excitement about the FAST Act, and this legislation really puts America's surface transportation on sound footing for the next 5 years. It's a real testament to our congressional leaders and a commitment to infrastructure in our country.

Here in Nebraska we are particularly proud of your tireless efforts on the Commerce, Science and Transportation Committee and the Environment and Public Works Committee. So, thank you, Senator Fischer.

We also appreciate Chairman Thune's interest in promoting freight improvements by holding the Subcommittee field hearing here in Nebraska today.

The FAST Act is truly significant in that for the first time, formula funding for state DOT freight programs will be provided. Over $1 billion is being distributed annually to states by the Federal Highway Administration. Here in Nebraska, we will receive $8.2 million this Fiscal Year alone. In accordance with Federal regulations, these new funds will be applied to a wide range of projects and improvement on our highway system, including highway and rail grade separations, bridge improvements, other capacity projects, and operational needs.

The FAST Act also provides discretionary funding with the Nationally Significant Freight and Highway Projects program, dubbed "FASTLANE" by USDOT. This provides further encouragement to us here in Nebraska of Congress's commitment to improving our infrastructure, and we at NDOR have taken the necessary steps to try to benefit from these advancements.

These national advancements come at a time where, in Nebraska, NDOR is working to improve its strategic approach to how infrastructure advancements are made at the state and the local level. The Build Nebraska Act, the Transportation Innovation Act, both of these include increased emphasis on innovation and finding ways to link economic development and improve partnerships to positively impact customer satisfaction here in Nebraska.

For the first time we are incorporating public input and economic impacts into our project prioritization process. In a way, we are rewriting the book on project selection to ensure that there is local buy-in, which specifically helps draw out the rural concerns that can impact the flow of freight in our communities.

As you know, Senator Fischer, everything is local in Nebraska, and most of these local concerns are impacted by the challenges in our rural communities. And when it comes to freight challenges, we don't have the same sorts of challenges that some of our friends in more urban and coastal states face. We don't have the congestion and the bottleneck issues. What we have are access issues and activity issues. Safety is always a concern. We have the challenge of preserving a very large and extensive transportation network.

So we are in the process of developing a freight plan for our state that will help provide a way forward and guide us as we look to improve our freight network to better meet these challenges. We don't need a freight plan, though, to know how important Nebraska is to the nation's transportation network with our geographic central location and our resources. We play a key role in the movement of freight in our country. We have I–80 running east and west for the length of states providing coast-to-coast travel for trucks and commodities. UP, the Union Pacific and BNSF Railroad main lines serve the nation, with arteries right through our state.

We have an extensive highway network outside of I–80 and short-line rail networks that provide connectivity. We have barge terminals on the Missouri River and Eastern Nebraska that connect to the Mississippi River system. We have inland waterways and ports. And finally, we have the headquarters of major freight companies, like the Union Pacific and Werner Enterprises Trucking, and many other transportation companies.

For a state where agriculture is our number-one industry and the manufacturing sector has over 1,800 establishments, transportation flow and commodity mobility are at the heart of our economic growth. As our economy grows, we must be able to handle the new demands on transportation. National freight tonnage is projected to grow by 42 percent by 2040. Preparing for this growth will take a thoughtful and focused approach.

Thanks to the FAST Act and the recent state initiatives like the Build Nebraska Act, the Transportation Innovation Act, we are really laying the pavement for exciting new advancements in freight mobility.

The emphasis on access and connectivity really stresses our understanding of the rural landscape here in Nebraska and the commitment to growth through partnerships and economic opportunities.

So thank you again, Senator Fischer, to the Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety and Security, and my fellow stakeholders, for the opportunity to share NDOR's path forward with regard to the FAST Act. As we move forward, we are confident that our unique assets will align well with the key national networks such as the primary highway freight system and the national highway freight network.

The Nebraska way is to take a right-sized approach to involving all of our partners from industry, agriculture, state, local, and Federal partners, and we look forward to implementing the FAST Act and other policies as we move forward. So, thank you for the opportunity.

[The prepared statement of Mr. Schneweis follows:]

PREPARED STATEMENT OF KYLE SCHNEWEIS, DIRECTOR, NEBRASKA DEPARTMENT OF ROADS

Senator Fischer, members of the Committee, thank you for the opportunity to testify today regarding the impact of freight transportation on rural economies.

As I traveled Nebraska in my first year as Director of the Nebraska Department of Roads (NDOR), I heard excitement from Nebraskans about the recent enactment of the Fixing America's Surface Transportation Act, or FAST ACT. This legislation put America's surface transportation on sound footing for five years. It's a real testament to our Congressional leaders' commitment to infrastructure. Here in Nebraska we are particularly proud of Senator Deb Fischer's tireless work on the Commerce, Science and Transportation Committee and the Environment and Public Works Committee. We also appreciate Chairman Thune's interest in promoting freight improvement by holding this Subcommittee field hearing in Nebraska today.

The FAST Act is truly significant in that for the first time, formula funding for State DOT Freight programs will be provided. Over $1 billion is being distributed to States annually by the Federal Highway Administration. The NDOR will receive $8.2 million in Fiscal Year 2016. In accordance with Federal regulations, these new funds will be applied to a wide range of improvements to our highway system, including railway-highway grade separations, bridge improvements and many other freight capacity and operations enhancements.

The FAST Act also provides discretionary funding through the new Nationally Significant Freight and Highway Projects program, dubbed "FASTLANE" by U.S.

DOT. Nebraska is encouraged by Congress' commitment to improving our Nation's infrastructure and is taking the necessary steps to benefit from these advancements.

These national advancements come at a time where NDOR is also working to improve its strategic approach to how infrastructure advancements are made at the state and local level. The Build Nebraska Act and the Transportation Innovation Act both include increased emphasis on finding innovative ways to examine how economic development and partnership alliances can positively impact stakeholder and customer satisfaction. For the first time, we are incorporating public input and economic impacts into our project prioritization process.

In a way, we are rewriting the book on project selection to ensure there is local buy-in which specifically helps draw out rural concerns that can impact the flow of freight within our communities. As Senator Fischer knows, everything is local in Nebraska and most of those local concerns are impacted by rural challenges.

When it comes to freight challenges, we don't face the congestion and bottleneck issues that more urban coastal states face. Our challenges are related more to access, connectivity, safety, and preservation of an expansive transportation network. NDOR is in the process of developing a state freight plan that will provide a guide forward as we look to improve our freight network to better meet these challenges.

A freight plan isn't required, however, to recognize that Nebraska, with our geographically central location and resources, plays a key role in the movement of freight in our country. For example:

- Nebraska has the I–80 corridor running east-west through the length of the state for coast-to-coast trucking and travel.
- The Union Pacific and BNSF railroads' main lines likewise serve the Nation with arteries through Nebraska.
- We also have important north-south highway and rail service as well, along with short-line rail networks.
- Barge terminals on the Missouri River in eastern Nebraska connect to the Mississippi River System's inland waterways and ports.
- Finally, Nebraska features the headquarters of major freight companies like the Union Pacific, Werner Enterprises trucking, and many other transportation and logistics companies.

For a state where agriculture is our number one industry and the manufacturing sector has over 1800 establishments in the state, transportation flow and commodity mobility are at the heart of our economic growth.[1] As our economy grows, we must be able to handle new demands on transportation. National freight tonnage is projected to grow 42 percent by 2040—preparing for this growth will take a thoughtful, focused approach.[2] Thanks to the FAST Act and recent major state initiatives like the Build Nebraska Act and the Transportation Innovation Act, Nebraska is laying the pavement for exciting new advancements in freight mobility. The emphasis on access and connectivity stresses Nebraska's understanding of its rural landscape and commitment to growth through partnerships and economic opportunity.

Thank you again to Senator Fischer, the Subcommittee on Surface Transportation, Merchant Marine Infrastructure, Safety, and Security, and my fellow transportation industry stakeholders for the opportunity to share NDOR's way forward in regards to the FAST Act. As we move forward, we are confident that Nebraska's unique assets will align well with key national networks such as the Primary Highway Freight System (PHFS) and the National Highway Freight Network (NHFN). The "Nebraska way" is to take a right-sized approach and to involve our partners from industry, agriculture, academia and state and local government.

Background

FAST Act Freight Funds

- Nebraska will have $8.2 million in FY16, the first year of this on-going program. These new funds can be applied to a wide range of improvements to our highway system, including railway-highway grade separations, bridge improvements and many other freight capacity and operations enhancements.
- The Act directs States to have a State Freight Plan in place by December 2017.

FASTLANE Application

- NDOR filed an application on April 12, 2016 for FASTLANE funding for grade separations along the Union Pacific mainline in Columbus, a thriving industrial

[1] Nebraska Department of Economic Development, 2014 General Manufacturing Statistics
[2] National Freight Strategic Plan (Draft), U.S. DOT (2015)

and commercial center in northeast Nebraska that is served by expanding expressways along US–81 and US–30.

- This application falls under the Small Projects category of FASTLANE and the improvements will resolve safety issues and bottlenecks on local thoroughfares in Columbus. Even though the State Highway System won't be the beneficiary, we at NDOR are proud to partner with the city and the railroad to bring about those improvements for the benefit of the community, the region and the freight network.

State Freight Plan

- In general; Nebraska must have a freight plan to receive various freight formula funds. A plan also increases possible eligibility for freight grants. A freight advisory committee is not required but encouraged. The State Freight Plan will be in place by December 2017 to comply with FAST Act mandates.
- Nebraska has and continues to be proactive in the transportation industry. I am looking forward to building upon our team's base of freight policy knowledge as we move forward with drafting and implementation of the plan.
- Requirements for a freight plan include:
  - Freight system trends, needs, and issues
  - A description of the freight policies, strategies, and performance measures that will guide the freight-related transportation investment decisions of the State
  - A description of how the plan will improve the ability of the State to meet the national freight goals
  - Consideration of innovative technologies and operational strategies
  - Description of improvements that may be required to mitigate the deterioration of roadways that are projected to substantially deteriorate due to heavy vehicles (including mining, agricultural, energy cargo or equipment, and timber vehicles)
  - An inventory of facilities with freight mobility issues, such as truck bottlenecks, and a description of the strategies to mitigate.

Nebraska Department of Economic Development

- Is a strong partner to NDOR's efforts. Looking ahead, NDOR and its partners will soon take a more coordinated approach to:
  - Statistically profiling Nebraska's freight infrastructure across modes
  - Defining our core state-level freight network
  - Generating state-level information on key commodity flows and forecasts
  - Developing state goals, objectives, strategies and performance measures
  - Mapping ideas for enhanced policies and programs to support freight, and
  - Developing an overall implementation plan for those activities.

WITNESSES

Michael Smythers, Assistant Vice President, Federal Government Affairs, BNSF

Smythers most recently served as Special Assistant to the President in The White House Office of Legislative Affairs. From April 1999 through February 2004, when he joined The White House, he was assistant vice president, Federal Affairs, in the Washington office of CSX Corporation. He worked in the U.S. Senate from August 1994 through April 1999. Smythers is a graduate of the College of William and Mary. Andersen comes to BNSF from the Gallatin Group, which he joined in February 2005 as a principal after working for eight years with U.S. Sen. Max Baucus (D-Mont.). He was the senator's legislative director from September 2000 through October 2002 and chief of staff from December 2002 through January 2005. A Montana native, Andersen is a graduate of the University of Montana.

Kevin Kelley, Kelley Bean

Kelley Bean traces its roots back to the founding of the Chester B. Brown company in 1927 where Robert L. Kelley Sr. was plant manager of the Morrill, Nebraska facility. In the early 1940s, Robert Kelley was promoted to President of the company, a position he held until 1969. In 1970, Robert L. Kelley Sr. left Chester B. Brown to form Kelley Bean Company. His son's Gary, and later Bob, joined him to help run the family's new business. In 1982, under Gary Kelley's leadership, the

Kelley Bean and Chester B. Brown companies merged to form a reunited Kelley Bean Co., Inc. In 2006, under Bob Kelley's leadership, Kelley Bean acquired ConAgra's dry bean operations. Eleven other acquisitions over the years have formed one of the largest originators and processors of dry beans in the U.S. Today, a third generation led by Kevin Kelley, is in place and poised to grow the company well into the future. Ask any of the Kelley's and they will tell you that none of this would have been possible without the dedication and hard work of the world's best group of employees and growers.

Brent Holliday, Chief Executive Officer

When my father, Richard B. Holliday Sr., acquired Nebraska Transport Company in 1973, he was determined to give our customers the best freight service possible at competitive rates and provide the employees with the knowledge and incentives to work toward that goal. Today, we operate NTC based on those same principles, committed to operating only top quality equipment and employing the finest people available—committed enough to be the first Nebraska-based LTL carrier to achieve the ISO 9000 Certification. I'm proud of the effort "Team NTC" puts forth every day to consistently provide our customers with the best transportation service anywhere. We have a great team, a team of winners, who all understand what our team has to do to grow and continue to be a leader in our industry, all the while remembering that the single-most important part of their job is—and always will be—to serve you, our valued customer.

David Freeman, Vice President, Engineering/Transportation, BNSF

Deb Cottier, Executive Director, NW Nebraska Development Corporation

Mrs. FISCHER. Thank you, Director.

Mr. Overman?

STATEMENT OF DONALD E. OVERMAN, CHAIRMAN OF THE BOARD, AIRPORT AUTHORITY, COUNTY OF SCOTTSBLUFF, NEBRASKA

Mr. OVERMAN. Well, first of all, Senator Fischer, I want to thank you for coming to Western Nebraska to hold this important hearing. I want to thank you also for your leadership in securing passage of the FAA reauthorization bill. As you have so well stated, it is critical to the rural airports across the United States, and it allows us to continue to receive our $1 million funding for safety improvements that we so badly need. The fact that you put an amendment in that would allow us to receive that for the next 2 years because of the number of hours pilots have to have now, that creates great improvement for not only Scottsbluff but North Platte and Kearney and Alliance.

It is important to know that Western Nebraska Regional Airport is a diversionary airport for DIA in Denver, very important to us, and to them too. We support airlines such as United, Delta, Alaska and Southwest. We have had as many as seven diversions of 727s and 737s on our tarmac at one time in a line. It is quite a sight.

I have been associated with rural transportation issues for the past 42 years, including the Heartland Expressway from the very, very beginning, as well as being a national spokesman for the national EAS program, having appeared before the Senate Commerce Committee twice in Washington, D.C., as I was the national spokesman for essential air service throughout the country.

Scottsbluff is a true regional transportation center, and we need that airport. Our regional airport is a host to major corporations to provide air and ground deliveries of products throughout this entire trade area. FedEx is based on airport property and has one airplane per day into our airport, and sometimes two, as well as one semi-truck per day for ground FedEx. They serve an area that stretches up to 150 miles in every direction. UPS has one plane per day, along with UPS Ground, which serves an area of 120 to 150 miles in every direction.

Good roads are essential for the economic development of our area, and we are happy to have Kyle here from the Department of Roads today to show us his input and what has happened at the state level.

We also have at our airport an air ambulance company, EagleMed, that has served over 1,000 patients in this past year, sending patients to advanced hospitals in Wyoming, Colorado, and Nebraska.

Not to be forgotten, of course, is the United States Postal Service, which needs safe roads for their trucks that deliver mail all over this area. Our local area trucking company, NTC, is here to support that issue.

We want to thank you again for your leadership in the Nebraska Unicameral, on the roads, and in surface transportation, and now in the U.S. Senate, providing improved road funding for the state of Nebraska, and certainly most recently the FAST Act, which gives us five years of receiving $1.5 billion to Nebraska's highways, railroads, and bridges. The figure is monumental, and what you have done for transportation in the state of Nebraska is fantastic, and we thank you for your leadership. Thank you.

[The prepared statement of Mr. Overman follows:]

PREPARED STATEMENT OF DONALD E. OVERMAN, CHAIRMAN OF THE BOARD, AIRPORT AUTHORITY, COUNTY OF SCOTTSBLUFF, NEBRASKA

Good morning Senator Fischer, my name is Donald E. Overman. I am the Chairman of the Board of the Airport Authority of the County of Scottsbluff. I thank you for holding this United States Senate Commerce hearing on transportation in Scottsbluff, Nebraska.

I also thank you for your leadership in securing passage of the FAA Reauthorization Bill in the Senate. This bill is so critical for rural airports across the country and it allows us to continue to receive $1m in funding for airport safety improvements for each of the next two years.

It is important for all to know that Western Nebraska Regional Airport is a diversionary airport for DIA in Denver and we support airlines such as United, Delta, Alaska and Southwest. We have had as many as seven diversions on our tarmac at one time.

I have been associated with rural transportation issues for the past 42 years including the Heartland Expressway from its inception, as well as being the National spokesman for the EAS program. I know how important transportation is to the economic development of our area. Scottsbluff is a true regional transportation hub for Western Nebraska and Eastern Wyoming.

Our regional airport is host to major corporations that provide air and ground deliveries of products in our entire trade area.

FedEx which is based on airport property has one plane per day into our airport and sometimes two, as well as one semi-truck per day for Fedex ground. They serve our area that stretches up to 150 miles in each direction. UPS has one plane per day and along with UPS ground which serves an area of 120 to 150 miles in each direction.

Good roads are essential for the economic development of our entire area. We are pleased that the Director of Roads for the State of Nebraska has joined us today.

We also have based at our airport an air ambulance company, EagleMed, that served over 1,000 patients sent to more advanced hospitals in Wyoming, Colorado and Nebraska in the last year.

Not to be forgotten, the United States Postal Service. Which needs safe roads for their semi's that deliver our mail throughout our entire region. Our local area trucking company (NTC) is here also to support safe roads.

Thank you again, Senator Fischer for your leaderships both in the Nebraska Unicameral and now in the United States Senate providing improved road funding for the State of Nebraska and now the entire country.

Mrs. FISCHER. Thank you.
Ms. Cottier?

STATEMENT OF DEB COTTIER, EXECUTIVE DIRECTOR, NEBRASKA NORTHWEST DEVELOPMENT CORPORATION; MEMBER, BOARD OF DIRECTORS, HEARTLAND EXPRESSWAY ASSOCIATION; AND MEMBER, PORTS-TO-PLAINS ALLIANCE

Ms. COTTIER. Hi. I'm Deb Cottier. I'm the Executive Director of the Nebraska Northwest Development Corporation, which is in Chadron, Nebraska, about 100 miles north of here, a beautiful morning to drive in here this morning.

I want to start by adding my appreciation and my thanks to Senator Fischer for all of her work, not only in the Nebraska legislature but also for holding a hearing here in Nebraska and giving us a chance to come share our views on rural transportation. We also want to thank her for leading the effort in the Senate to include a robust freight program in the recently enacted FAST Act.

I'll be testifying today on behalf of NNDC, but also on behalf of the Heartland Expressway, which is also part of a larger organization called the Ports-to-Plains Alliance. This alliance is actually a grassroots effort of communities, over 275 communities and businesses whose mission it is to advocate for international transportation infrastructure, and by international we're speaking specifically of the four routes that come together that create this corridor.

The Ports-to-Plains corridor comes from the Texas/Mexico border to Denver, the Heartland Expressway, which comes through the entire state of Nebraska north to south, through Chadron, through Scottsbluff. That's the Heartland Expressway. The Teddy Roosevelt Expressway, which goes from Rapid City north through the Bakken oil fields up to Canada, as well as the Camino Real, which connects Canada through existing interstate systems.

Freight movement across rural North America is critical to connecting the natural resources of agriculture and energy to the urban populations and the economy of the United States. I have submitted a written record which is much more in-depth, but my comments today will actually highlight three points.

First, the prosperity of America's heartland depends on four-laneing critical rural freight corridors like the Ports-to-Plains corridor. Northwestern Nebraska is effectively isolated from interstate highways. The closest to the north is 110 miles; to the south it's 137 miles. Moreover, there is only one way to get to interstates from Chadron, Nebraska, and that's on two-lane roads. There is nearly a 500-mile-wide gap between I–25 in the west in Wyoming and the I–29 corridor in Iowa in the east, between which there are no four-lane, north-south highways that fully traverse the state of Nebraska. This is a missing link in our national highway network.

As a result, our two-lane roads carry a large agriculture and energy business. Other business trucks, local cars and delivery vans, and a lot of out-of-state tourists who find themselves mixed in with that whole variety of utility vehicles are all on narrow two-lane roads, which actually limits the ability for the safe movement of people to and from places like the Black Hills of South Dakota.

Upgrading the Ports-to-Plains corridor to a four-lane divided highway would create significant benefits for America's heartland and is critical for the efficient movement of goods and people, the economic development of the region, and for the safety of the traveling public. Furthermore, the corridor provides an uncongested alternative to I–35 coming out of Texas and to I–25 to the west. If four lane, the Alliance corridor would provide a cost-effective alternative for trucks to avoid that urban congestion.

And that brings me to my second point, upgrading the critical rural freight corridors, especially the multi-state corridors that we've been speaking of, and this requires a strong Federal partner, as we've heard the Senator say numerous times. Both in terms of leadership and resources, the states and localities cannot do the job alone.

As Congress was considering the transportation bill, you and your colleagues were often under pressure from some to devolve the transportation programs back to the state and local governments. Devolution would have a devastating effect on our national service transportation system, and we commend Congress for rejecting the idea.

We would sound, however, one note of caution. If the Federal Government is to continue to be the strong partner in the future, Congress must find a permanent fix to the Highway Trust Fund, and it should not necessarily wait until the next transportation bill to do so. It should seize the first opportunity, which could come in the next Congress in the form of a budget initiative and tax reform.

My third and final point is that the new freight programs within the FAST Act are a huge step forward, but they will require careful oversight to ensure that the adequate resources are made available to upgrade the critical rural freight corridors.

With respect specifically to the FAST Act, it says that critical rural freight corridors are eligible for both freight planning and funding opportunities. Whether a particular route such as the Heartland Expressway is designated will depend on how FHWA and the states interpret the implementation of the FAST Act requirements, and there is some reason for concern.

The guidance, which was just put out, basically says that the first and last mile connectivity is essential to an efficiently functioning freight system, and that it encourages the states to consider first or last connector routes for the high-volume freight corridors. The language itself is a little troubling, for if the guidance or FHWA forces or leverages states into following just that piece of it, then much of the funding that's available for critical rural freight corridors would be directed to a series of spurs off high-volume corridors rather than to the entire rural freight corridor like the Heartland Expressway. Based on our initial review of the guidance of the FAST Act, this does not appear to be what Congress intended, and we urge Congress to closely monitor the implementation.

In conclusion, we want to thank you for the opportunity to appear today and for your effort to bring together those people who can speak about transportation on this level, and we appreciate the opportunity to be included. Thank you.

[The prepared statement of Ms. Cottier follows:]

PREPARED STATEMENT OF DEB COTTIER, EXECUTIVE DIRECTOR, NEBRASKA NORTHWEST DEVELOPMENT CORPORATION; MEMBER, BOARD OF DIRECTORS, HEARTLAND EXPRESSWAY ASSOCIATION; AND MEMBER, PORTS-TO-PLAINS ALLIANCE

Chairwoman Fischer—Honored members of the Senate Committee on Commerce, Science and Transportation, thank you for allowing me to testify on an issue as important to Nebraska, the Heartland Expressway and the states included in the Ports-to-Plains Alliance as rural transportation and intermodal freight policy.

For the record, my name is Deb Cottier, Executive Director of Nebraska Northwest Development Corporation and a member of the Board of Directors for the Heartland Expressway Association, a member of the Ports-to-Plains Alliance.

The Ports-to-Plains Alliance is a grassroots alliance of over 275 communities and businesses, including alliance partners Heartland Expressway, Theodore Roosevelt Expressway and Eastern Alberta Trade Corridor Coalition, whose mission is to advocate for a robust international transportation infrastructure to promote economic security and prosperity throughout North America's energy and agricultural heartland including Mexico to Canada. In the United States the primarily rural Alliance includes four congressionally designated High Priority Corridors on the National Highway System. The Ports-to-Plains Corridor connects the Texas/Mexico border to Denver, CO via Interstate 27 in Lubbock and Amarillo, TX. The Heartland Expressway, which includes my home community of Chadron, NE, connects Denver, CO to Rapid City, SD and to the Camino Real (Interstate 25) in Wyoming via Scottsbluff, NE. The Theodore Roosevelt Expressway connects Rapid City, SD to the Montana/Canada border at the Port of Raymond via Williston, ND. The Camino Real Corridor from its connection with the Heartland Expressway at Interstate 25 west of Torrington, WY continues north the Montana/Alberta Canada border at the port of Sweetgrass.

This entire nationally significant rural freight corridor provides an uncongested alternative to Interstate 35 with its chokepoints at San Antonio, TX, Austin, TX, Dallas/Fort Worth, TX, Oklahoma City, TX and Kansas City, MI and to Interstate 25 through the Colorado Front Range and Cheyenne, WY for the movement of critical natural resources from rural areas to domestic and international markets.

My statement today focuses on three items:

1. Importance of Transportation System to Rural Economic Development
2. Strong Federal Role Required in Improve Movement of Freight
3. Building Rural Economies Together through the FAST ActrURA

Freight movement across rural North America is critical to connecting the natural resources of agriculture and energy to the urban populations and the economy of the United States. The interstate system provided significant impacts serving an economy that primarily moved freight east and west. Growing population centers along that interstate system are now creating significant chokepoints along the system and continuing the same transportation policies, adding to the congestion, results in increased transportation costs and environmental impacts.

Importance of Transportation System to Rural Economic Development

Chadron, NE is an excellent example of a rural community currently served by only two-lane highways. Chadron is located 102 miles south of Interstate 90 at Rapid City, SD and 148 miles north of Interstate 80 at Kimball, NE. Research shows that economic strength of communities is strongly affected by proximity to an interstate highway or at minimum a four-lane highway.

POLICOM Corporation is an independent economic research firm which specializes in analyzing local and state economies. From its research, it determines if an economy is growing or declining, what is causing this to happen, and offers ideas and solutions to improve the situation. A recent evaluation of the role of highway infrastructure on economic strengths of the top 50 Strongest and Weakest Micropolitan areas was made by POLICOM and presented to the Ports-to-Plains Alliance. Micropolitan Statistical Areas are typically quasi rural areas. A Micro must have an urbanized area (city) with a population of at least 10,000 but less than 50,000 population and must be at least one county and most are.

Top 50 Micropolitan Area	Strong	Weak
Located on an Interstate	31	7
Located on a four-lane limited access	10	5
Located near a four-lane within the area	0	11
Not Located on a four-lane roadway	9	27

Forty-one of the Top 50 Strongest Micropolitan Areas in the United States are located on an interstate or four-lane divided highway. Twenty-seven of the Top 50 Weakest Micropolitan Areas in the United States are not located on an interstate or four-lane highway.

In case the nine strong Micropolitan Areas that are not located on a four-lane roadway, there is a unique reason for their success that is not available to most rural communities. Two are in Alaska—Ice Roads; one is an island; one is a wealthy tourist destination, two are related to energy (Williston and Dickinson, ND); one is a town with livestock slaughter facilities as its main economic driver (Garden City, KS) and one is a military base.

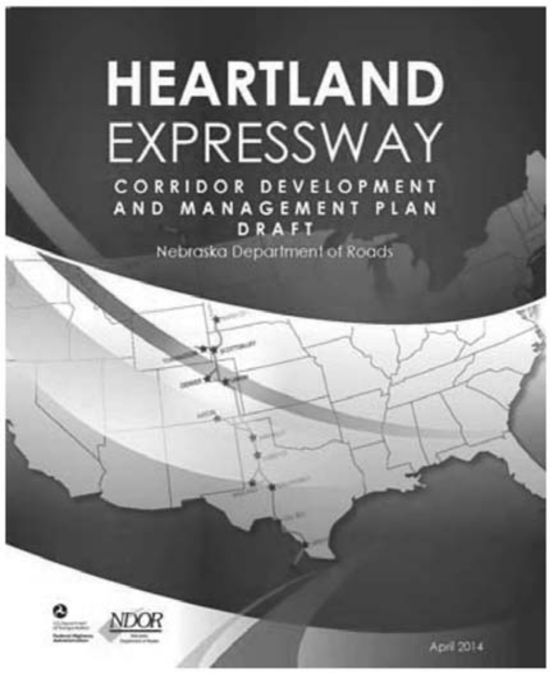
The development of four-lane rural freight corridors is a positive economic impact to communities like Chadron, Alliance and Scottsbluff, NE as well as rural communities from Texas to North Dakota and Montana along the Ports-to-Plains Alliance corridor. This conclusion is further supported by recent studies that evaluate economic benefits within the ten-state region.

Beginning with Nebraska, the Heartland Expressway Corridor Development and Management Plan, Final Report (2014), published by the Nebraska Department of Roads summarized significant economic national benefits from the development of this primarily rural corridor to a four-lane profile. It stated:

"The Heartland Expressway Corridor will provide many national, regional, and local benefits. Some of the most noteworthy national benefits include:

- *Connection of metropolitan cities and regional trade centers*
- *Develops a significant North American Free Trade Act (NAFTA) corridor*
- *Provides an alternative to avoid urban congestion and delay along Interstate 25*

- *Completes an integral segment of the PTP Alliance Corridor, a trans-national corridor*
- *Enhances the national freight network and freight movements*
- *Provides safer travel*
- *Provides a north/south high speed corridor*
- *Enhances delivery capacity and efficiency to Great Plains markets*
- *Provides essential economic development infrastructure to the Great Plains*
- *Develops a significant tourism corridor"*



In 2004, the Ports-to-Plains Corridor Development and Management Plan, evaluating the rural corridor in Texas, Oklahoma, New Mexico and Colorado, found similar results.

In November 2015, the Texas Department of Transportation published the *Initial Assessment Report for the Extension of I–27/Ports to Plains Corridor.* The Assessment was an initial look at the opportunities presented by the expansion of the existing corridor in Texas to an interstate profile. The report stated:

"The I–27/P2P corridor is viewed as a gateway for commerce with the potential to redirect traffic from congested corridor across Texas. Planned and programmed projects aim to:

- *Increase corridor capacity and enhance safety;*
- *Reduce congestion at ports of entry along the Texas-Mexico border by dispersing freight to multiple border crossings (in addition to the heavily-used Laredo crossings);*
- *Provide travel alternatives to the state's most congested corridors located through major metropolitan areas (e.g.,* I–35);
- *Provide alternatives to other congested north-south corridors that run through major metropolitan areas (e.g.,* I–25);
- *Help to facilitate trade between the U.S., Mexico and Canada; and*
- *Provide facilities that can effectively meet the traffic volumes and vehicle types that are traversing the corridor."*

Texas Department of Transportation

Initial Assessment Report

Extension of I-27/Ports to Plains Corridor

November 2015

Strong Federal Role Required in Improve Movement of Freight

Our rural communities support modernizing our Nation's surface transportation network, including the upgrading of multi-state rural highway corridors, to meet the challenges of the 21st century.

Given the urgency and magnitude of this undertaking, it is imperative that the Federal Government be the strong partner that it has been in the past. From the First Congress' support of lighthouses, buoys and public piers to make navigation "easy and safe;" to Henry Clay's support for internal improvements; to President Lincoln's support for the transcontinental railroad; to President Teddy Roosevelt's support of the Panama Canal; to President Franklin Roosevelt's support for a cross-country, high-level road system; to President Eisenhower's support of the Interstate Highway System and the Federal Highway Trust Fund; and to President Reagan's support for increased motor fuel user fees to preserve and modernize the Federal-aid highway network; the Federal Government has been instrumental in the development of our Nation's surface transportation system.

This system unifies our country by providing for the easy movement of people and goods. As President Eisenhower noted, without it, "we would be a mere alliance of many separate parts." The Federal Government must provide the leadership and resources to help preserve and modernize the national surface transportation network for the 21st century.

With a few minor exceptions, the federal-aid highway program targets Federal highway investment on the network of roads most important to regional and interstate travel. There are four million miles of roads in the United States. Only 25 percent of these roads are eligible for federal-aid highway funding. This network of roads is known as the federal-aid highway system. It carries 85 percent of the total vehicle-miles travelled in the United States annually. The remaining seventy-five percent of the Nation's roads (roughly 3 million miles) are the responsibility of state and local governments.

Even more importantly, the vast majority of federal-aid highway investment (about 75 percent) is dedicated to the National Highway System (NHS), a portion of the federal-aid highway system.

The NHS, which includes the Interstate Highway System, makes up only 5 percent (about 220,000 miles) of the Nation's road mileage but carries 55 percent of total vehicle-miles traveled and over 90 percent of truck miles. It is the backbone of the federal-aid highway system as well as America's intermodal transportation network. The Ports-to-Plains Corridor, the Heartland Expressway, the Camilo Real and the Theodore Roosevelt Expressway are part of the NHS.

By fostering an interconnected network of roads in uniformly-sound condition, the federal-aid highway program serves an important national purpose. This purpose can only be achieved by a certain amount of redistribution, which the federal-aid highway program achieves through its structure and formulas.

Without redistribution, certain states—typically large, sparsely-populated states—would not be able to develop and maintain their portion of the network. A network is only as strong as its weakest links.

It is also important to note that modernizing the federal-aid highway system, especially the major highways that make up the National Highway System, will require significant, sustained investment over a considerable period of time. The investment level needed is considerably higher than current levels of funding.

Multi-state Rural Freight Corridors Are a Federal Interest

A critical part of the national network is the multi-state rural highway corridors that are essential to the development of America's energy and agricultural resources. The antiquated two-lane highways that currently serve most of these corridors were not designed to carry the number of trucks, especially heavy trucks, currently being experienced up and down these corridors.

Moreover, these roads are not geometrically designed to accommodate the large trucks being used today by the energy and agricultural industries.

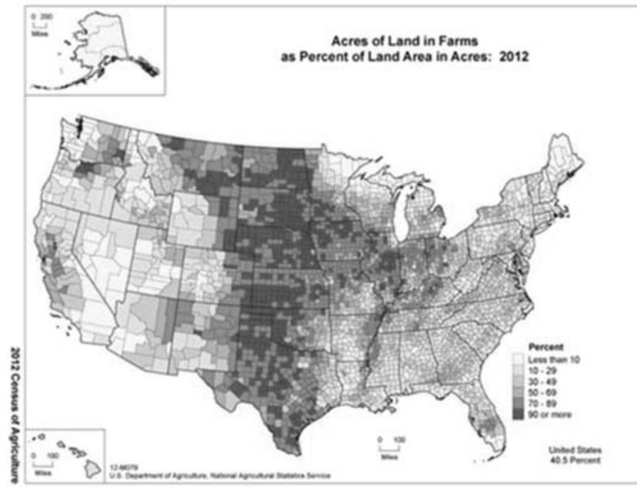
Nowhere is this more evident than in the Ports-to-Plains Alliance Corridor. The north-south movement of goods and persons through this ten-state economic region relies on an existing 3,088-mile network are two-lane highways. The good news is that almost 54 percent of this corridor has been upgraded to four-lane or better.

To promote economic security and prosperity throughout America's energy and agricultural heartland, the Ports-to-Plains Alliance Corridor must be upgraded and modernized. Other multi-state rural highway corridors important to energy and agricultural production must also be improved.

Only in this way will the United States be able to realize the full potential of its energy and agricultural resources. By doing so, it will take an important step toward energy self-sufficiency and increased international competitiveness of U.S. agriculture.

Overview of the Agriculture Regional Economy

As indicated in the Texas Freight Mobility Plan agriculture is the largest user of freight transportation in the United States. Nebraska agriculture reflects the importance of agriculture to the economy of the ten-state Ports-to-Plains region. The Nebraska Agriculture Fact Card, a cooperative effort of the Nebraska Department of Agriculture, USDA, NASS, Nebraska Field Office, and the Nebraska Bankers Association highlights Nebraska's Top National Rankings. The state ranks first in the Nation in beef and veal exports, 2014 ($1,128,700,000); cash receipts from meat animals, 2014 ($13,885,411); commercial red meat production, 2015 (7,470,600,000 lbs.); commercial cattle slaughter, 2015 (6,575,100 head); all cattle on feed, January 1, 2016 (2,520,000 head); Great Northern bean production, 2015 (763,000 cwt.); popcorn production, 2012 53,711,118 lbs.); and irrigated acres of cropland, 2012 (8,225,973 acres).



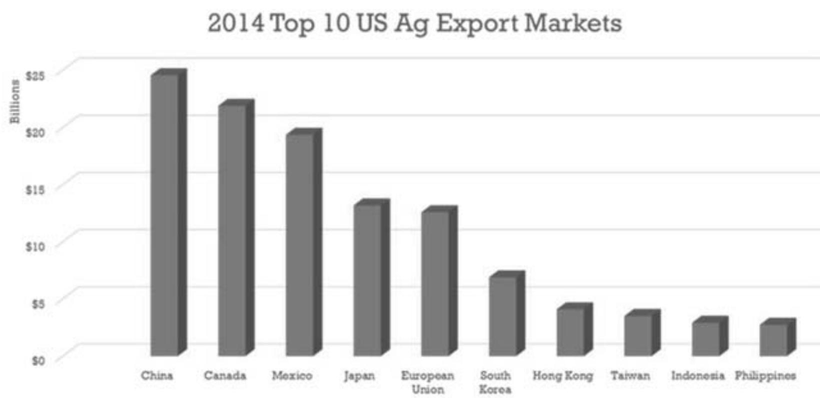
Nebraska ranks as the second state in the Nation for All cattle and calves, January 1, 2016 (6,450,000 head); Pinto bean production, 2015 (1,878,000 cwt.); Proso millet production, 2015 (3,298,000 bushels); Light red kidney bean production, 2015 (298,000 cwt.); and Bison, December 31, 2012 (23,152 head).

Agricultural Production	2012 $billion
U.S.	394.644
Colorado	7.781
Kansas	18.461
Montana	4.230
Nebraska	23.069
New Mexico	2.550
North Dakota	10.951
Oklahoma	7.130
South Dakota	10.170
Texas	25.357
Wyoming	1.689
PTP Total	111.388
PTP Percentage	28.22%

2012 Census of Agriculture

For corn for grain production, 2015 (1,692,750,000 bushels); cash receipts from all farm commodities, 2014 ($24,942,122,000); and corn exports, 2014 ($1,212,400,000), Nebraska ranks as the third state in the Nation.

Nebraska agriculture relies on the nationwide transportation system for both inputs and outputs of its agriculture production. Interstate and international commerce is critical to Nebraska agriculture and that is a reflection of the entire Ports-to-Plains Region. This ten-state region produces over $111 billion of agricultural goods, or 28.22 percent of the U.S. total. The region boasts three of the top ten farm states: Texas, Nebraska and Kansas.



Movement of agriculture products from the primarily rural areas across the Ports-to-Plains region to urban domestic markets and to export markets on the coasts requires infrastructure investments that connect production to consumers. Canada and Mexico are the second and third top export markets for U.S. farm products. The agriculture production regions in the U.S. often are not located near major urban areas or coastal export facilities. A strong Federal interest is required to ensure the agriculture resources can safely and efficiently reach domestic and global markets.

Overview of the Energy Regional Economy

While agriculture has been and will continue to be the economic base for Nebraska and the entire ten-state Ports-to-Plains region, energy has emerged as a significant economic driver across the region. Energy production, including conventional resources like oil and natural gas, combined with strong renewable energy including wind development, use resources in rural areas to meet the growing needs of urban areas and a global market.

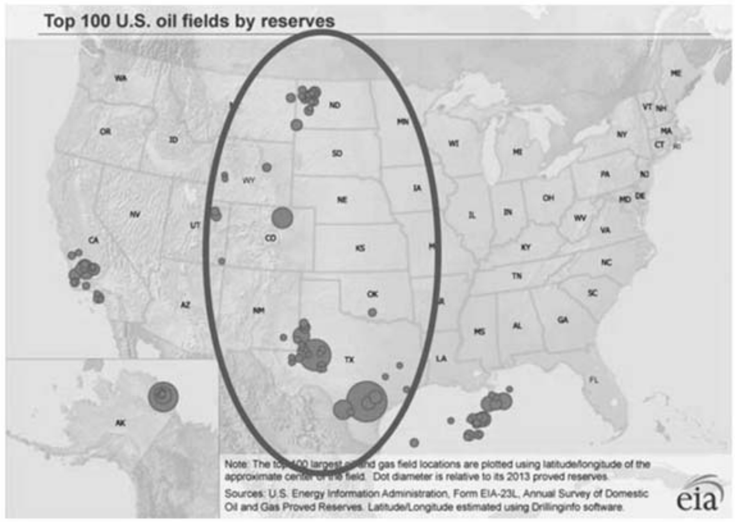
The Ports-to-Plains Alliance tagline says "*Securing the Benefits of Commerce to North America's Energy & Agricultural Heartland.*" The highway system connects a region that includes significant conventional and renewable resources. Energy security is provided by North America's energy development and the Ports-to-Plains region provides the connections needed to develop those resources including world class oil, gas and wind resources.

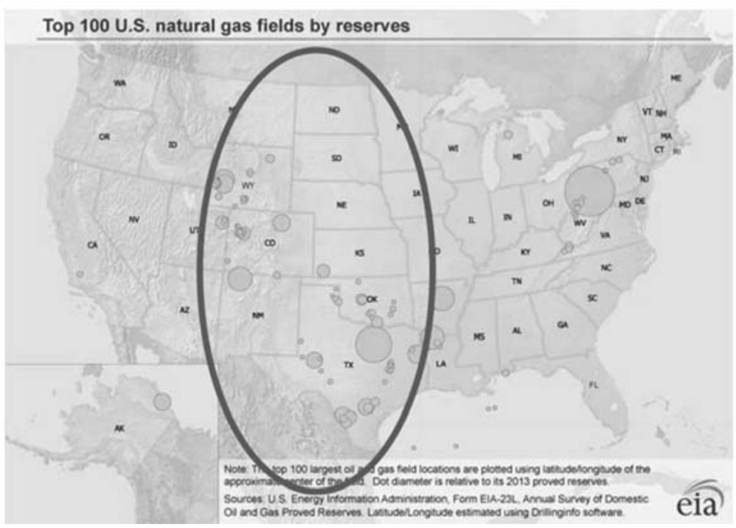
Oil and Natural Gas

From an oil and gas viewpoint the corridor connects Alberta, Canada and Texas, both the production and reserve leaders in the world. The highway system moves the people and equipment needed to develop these resources. The Bakken in North Dakota, Montana, Saskatchewan and South Dakota; the Niobrara in Wyoming, Colorado and Nebraska; and the Barnett and Permian in Texas; and the Eagle Ford in Texas are connected by the Ports-to-Plains Corridor. The Corridor provides the connection between the Houston, Denver and Billings. To summarize the oil and gas role of the region:

- Seven of top ten and eight of the top fifteen oil producing states, producing over 1.667 billion barrels annually in 2013
- Alberta ranks third, after Venezuela and Saudi Arabia, in terms of proven recoverable global crude oil reserves
- Five of the top eight and seven of the top fifteen natural gas producing states that produced over 57.5 percent or 13,966,836 million cubic feet in 2012

- Oil and natural gas accounts for three million jobs or 35.8 percent of the Nation in the region, generating incomes of over $208.5 billion or 40.5 percent of the entire nation's oil and gas jobs and income





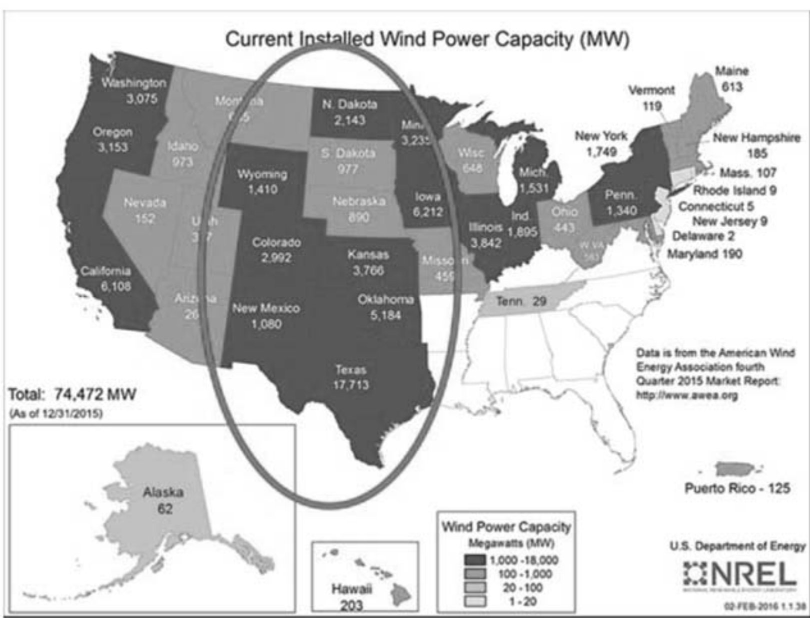
There are those who will point to a bust in the U.S. energy boom. They cannot wait to share stories of job losses and bankruptcies, but while the boom has stopped, the reality is that the production continues. The following from North Dakota shows that energy will be returning to its boom days. "North Dakota's top oil regulator had a message for Williston leaders this week: Get ready . . . When—not if—oil prices increase, drilling crews will be back in the Bakken eager to make up for lost time," said Director of Mineral Resources Lynn Helms. "The industry is preparing for the world's oil supply to come into balance by the end of 2016 or the first half of 2017," Helms said. "He anticipates that once that happens, the price could double 'virtually overnight.'"

Energy development is reliant upon moving employees and large equipment across the north-south region, often on narrow two lane highways and bridges. As an example, U.S. Highway 85 of the Theodore Roosevelt Expressway saw 72,000 permits for oversize and overweight trucks in 2014. Energy security for the United States is dependent upon a transportation system that again connected rural America where the resources are located and the labor force, the technology and ultimate markets for U.S. energy. A strong Federal role is required to provide the resources needed to build and maintain infrastructure from lower population areas to urban areas.

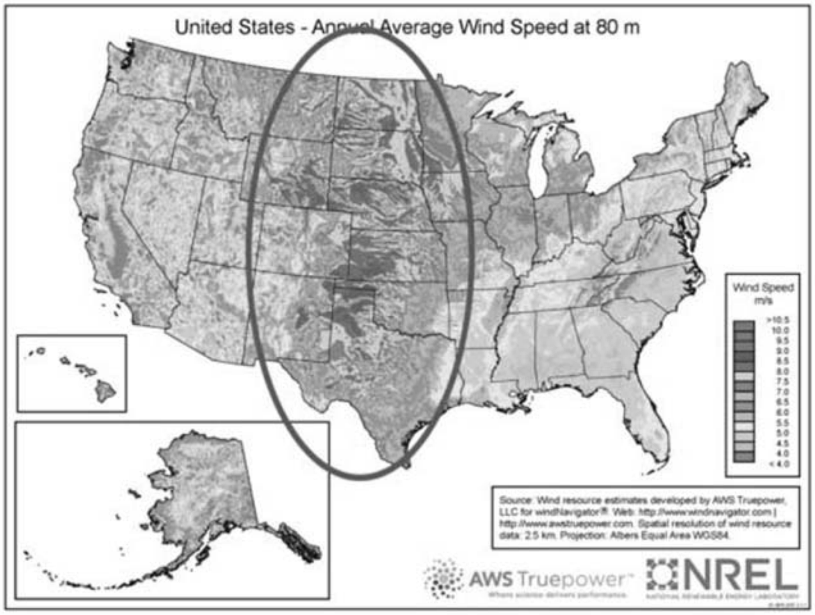
Renewable Energy/Wind

Renewable wind resources are also abundant throughout the region.

- Four of the top ten and seven of the top twenty U.S. States for Installed Wind Capacity
- The region accounts for 48.9 percent of the total current wind generation in the U.S.
- Top six nationwide, eight of the top 10 U.S. states for Potential Wind Energy Generation, nearly 76.9 percent of the U.S. potential



These wind resources are resulting in the addition of manufacturing facilities for nacelles (turbines), blades and towers in Texas, Colorado, Kansas, Wyoming and North Dakota. Production and manufacturing creates jobs and tax base for many of our communities.



The electricity being generating is being transmitted to urban areas for primary use of urban populations. Once again a strong Federal interest will be required to support the needed infrastructure across the rural production areas.

Rural Corridors: An Alternative to Freight Chokepoints

One largely unexplored role of rural freight corridors requiring a strong Federal interest is the opportunity presented by multi-state rural corridors like the Heartland Expressway and its partners in the Ports-to-Plains Alliance to address congestion and its accompanied environmental impacts in urban areas. State departments of transportation are often forced to look only at the expensive solutions of expanding already congested urban highway corridors. Historically, these expansions have only provided temporary relief.

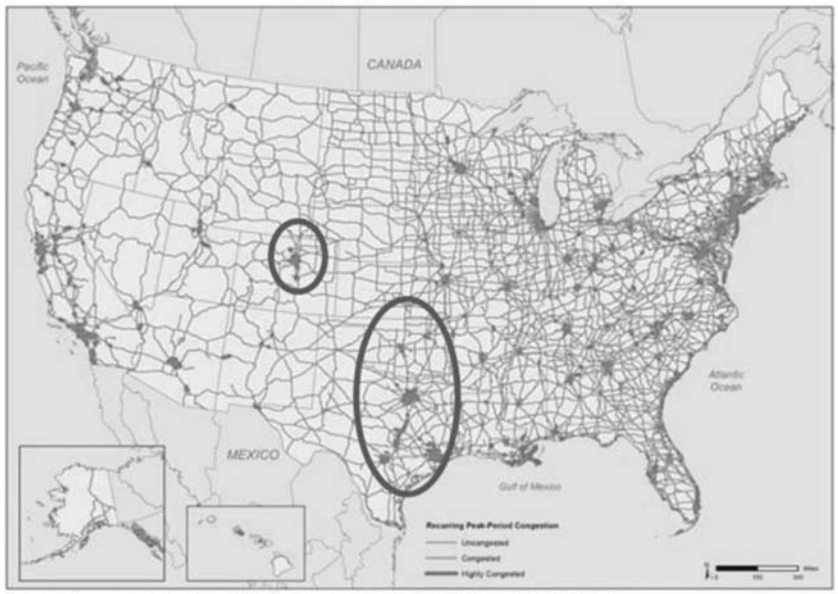
The National Strategic Freight Plan indicates that this trend will continue.

> *The U.S. economy is expected to double in size over the next 30 years. By 2045, the Nation's population is projected to increase to 389 million people, compared to 321 million in 2015. Americans will increasingly live in congested urban and suburban areas, with fewer than 10 percent living in rural areas by 2040 (compared to 16 percent in 2010 and 23 percent in 1980).*

The question looking for an answer is: can primarily rural multi-state freight corridors provide a safe, cost-effective opportunity to address growing congestion in urban areas? The maps below reflect the current peak period congestion using 2011 data and then projected to 2040.

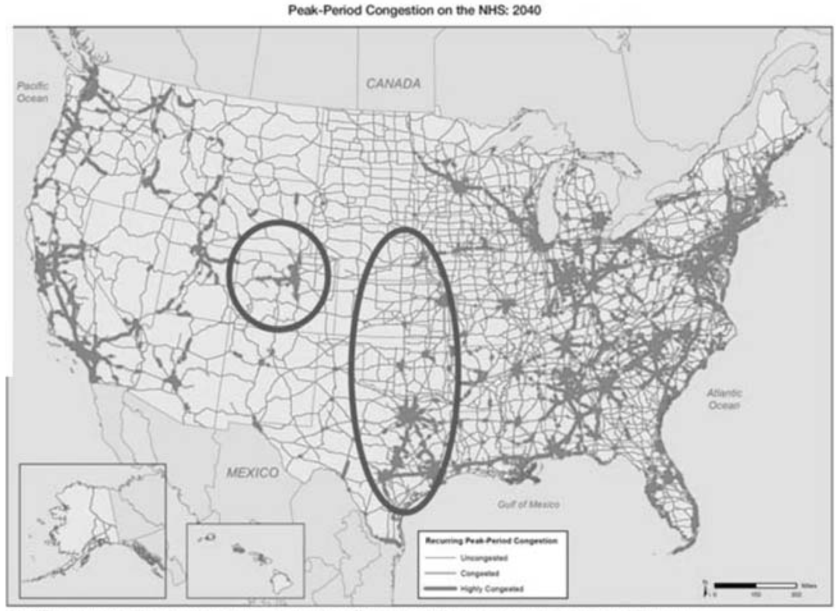
Within the Ports-to-Plains region, peak period congestion, creating freight choke points, existed in 2011 along Interstate 25 along the Colorado Front Range and along Interstate 35 including San Antonio, Austin and Dallas/Fort Worth in Texas, Oklahoma City, OK and Kansas City, MI.

Peak-Period Congestion on the NHS: 2011



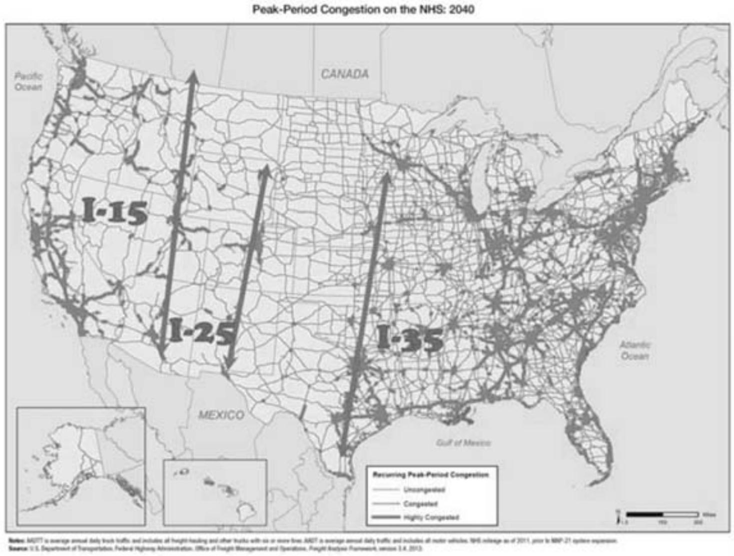
The peak period congestion, and thus freight choke points, grows significantly by 2040 based on current policy and investments combined with doubling the economy, significant population increase and shifts from rural to urban areas.

Peak-Period Congestion on the NHS: 2040



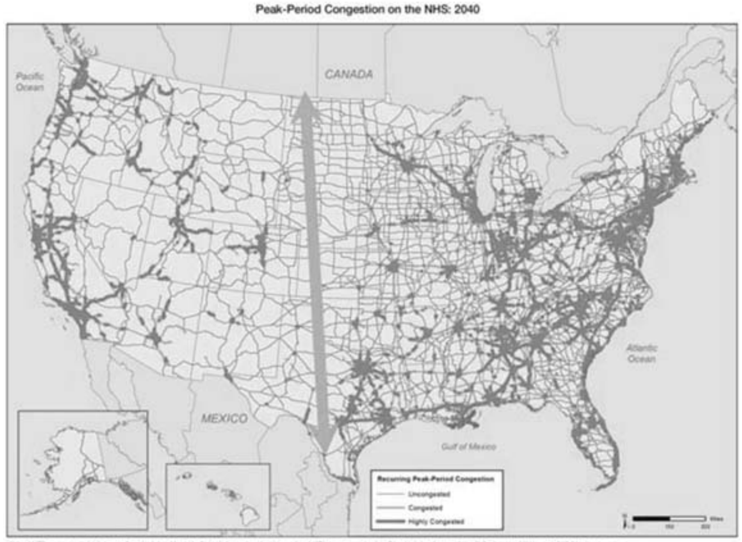
The Interstate Highway System, especially in the west addressed east-west movement of people and goods. It was an economic driver of great proportion. In the West the interstate system included Interstates 15, 25 and 35. As you can see, each of these corridors is growing significant congestion.

Peak-Period Congestion on the NHS: 2040



The Ports-to-Plains Corridor, with its target of a minimum development of four-lane divided highway can assist rural communities becoming more economically competitive and reducing the number of trucks creating freight choke points on the congested existing interstates.

Peak-Period Congestion on the NHS: 2040



Agriculture, energy and alternative corridors will require a strong Federal interest to guide a future that does not result in those shown in the 2040 projections.

Building Rural Economies Together through the FAST Act

As a rural economic developer and advocate for improved rural freight infrastructure, I would like to join the Heartland Expressway Association and the Ports-to-Plains Alliance in appreciation of the National Freight Policy included in the Fixing America's Surface Transportation Act. It provides an opportunity for an improved future in both rural and urban communities. The question that remains is how the FAST Act is implemented.

I and my partners in the Ports-to-Plains Alliance believe that the implementation of *Critical Rural Freight Corridors* under the FAST Act is a key to the opportunity for an improved future. USDOT/FHWA posted the guidance on designating and certifying Critical Rural Freight Corridors on April 27, 2016. USDOT/FHWA guidance now moves the implementation to state department of transportation. The USDOT/FHWA guidance did result in one concern about how USDOT/FHWA will view Critical Rural Freight Corridors for eligibility for both freight planning and funding opportunities offered by the FAST Act. The guidance includes the following statement:

> *First and last mile connectivity is essential to an efficiently functioning freight system. These public roads provide immediate links between such freight generators as manufacturers, distribution points, rail intermodal and port facilities and a distribution pathway. FHWA encourages States, when making CRFC designations, to consider first or last mile connector routes from high-volume freight corridors to key rural freight facilities, including manufacturing centers, agricultural processing centers, farms, intermodal, and military facilities.*

As our partners review the FAST Act, the emphasis on "first and last mile connectivity" seems to be a priority of USDOT/FHWA and not Congress. Our review of the FAST Act results in the only place that "first and last mile" appears in the legislation is as a portion of one twelve items to be considered by the Secretary in designating or re-designating the National Multimodal Freight Network. Even that consideration was described as "major distribution centers, inland intermodal facilities, and first-and last-mile facilities. "First and last mile connectivity" is not mentioned in relationship to Critical Rural Freight Corridors in the FAST Act. We wish to be sure that "first and last mile" is not prioritized above corridors in future decisions under the FAST Act.

Below, I will outline the relationship of Critical Rural Freight Corridors to two planning networks and two funding programs.

Congress had the foresight to finalize the *National Highway Freight Network* including 41,518-mile Primary Highway Freight System identified during the designation process under MAP–21, Critical Rural Freight Corridors, Critical Urban Freight Corridors, and the portions of the Interstate System were not designated as part of the primary highway freight system. Once a Critical Rural Freight Corridor is designated and certified it is added to the National Highway Freight Network.

In addition to the National Highway Freight Network, Congress also required the designation of the *National Multimodal Freight Network.* The stated purposes of the National Multimodal Freight Network includes assisting States in strategically directing resources toward improved system performance for the efficient movement of freight on the Network; to inform freight transportation planning; to assist in the prioritization of Federal investment; and to assess and support Federal investments to achieve the national multimodal freight policy goals and the national highway freight program goals.

Included in the goals of this program are to strengthen the contribution of the National Multimodal Freight Network to the economic competitiveness of the United States; reduce congestion and eliminate bottlenecks on the National Multimodal Freight Network; to improve the short-and long-distance movement of goods that travel across rural areas between population centers; travel between rural areas and population centers; and to improve the flexibility of States to support multi-State corridor planning and the creation of multi-State organizations to increase the ability of States to address multimodal freight connectivity. These are clear goals that certainly address the rural freight opportunities and importance described earlier in the statement above.

The FAST Act requires the Interim National Multimodal Freight Network to be established by June 1, 2016 and a Final Network of the National Multimodal Freight Network to be designated by December 4, 2016. The Under Secretary of Transportation for Policy is responsible to establish an Interim National Multimodal Freight Network not later than 180 days after the passage of the FAST Act. The second deadline, within the FAST Act, states that the Final Network of the National Multimodal Freight Network be established by the Undersecretary not later than one (1) year after passage of the Act. This Final Network is established after soliciting input from stakeholders, including multimodal freight system users, transportation providers, metropolitan planning organizations, local governments, ports, airports, railroads, and States, through a public process to identify critical freight facilities and corridors, including critical commerce corridors, that are vital to achieve the national multimodal freight policy goals. Critical Rural Freight Corridors need to be considered throughout this process. This National Multimodal Freight Network will not be re-designated for up to five (5) years after the establishment of the Final Network. Once again, designated Critical Rural Freight Corridors are eligible components of this Network.

With the guidance provided by USDOT/FHWA for the designation and certification of Critical Rural Freight Corridors, the process of state departments of transportation is able to move forward. If state departments of transportation act quickly, Critical Rural Freight Corridors may be considered by the Undersecretary for the Interim National Multimodal Freight Network. As of this date, that window of opportunity is very narrow. After June 1, 2016, Critical Rural Freight Corridors will have up to six months to engage in the stakeholder process for the establishment of the Final Network of the National Multimodal Freight Network. The opportunity to include Critical Rural Freight Corridors as a component of the National Multimodal Freight Network now rests with the state departments of transportation.

Critical Rural Freight Corridors within the FAST Act seem designed to address the need to connect the importance of agricultural production to the domestic and global markets requiring food and fiber. Congress recognizes the Critical Rural Freight Corridors provide access or service to grain elevators; agricultural facilities; and intermodal facilities including connections to international ports of entry.

Critical Rural Freight Corridors within the FAST Act also seem designed to address the importance of access or service to energy exploration, development, installation, or production areas to the domestic and global markets requiring energy resources. The Heartland Expressway in Nebraska is one link in the infrastructure required to safely make those connections. Implementation of Critical Rural Freight Corridors by state departments of transportation will be a major factor in the region remaining competitive economically.

The *National Highway Freight Program* provides for the first-time formula funds to states to improve the efficient movement of freight on the National Highway Freight Network. Nebraska is authorized for $58.8 million over the five years of the FAST Act. This amount is above what has already been distributed to Metropolitan Planning Organizations for the same purposes. States are allowed to obligate these formula funds to Critical Rural Freight Corridors. The April 27, 2016 guidance on designating and certifying Critical Rural Freight Corridors indicates that National Highway Freight Program can be authorized once the FHWA Division Office verifies that the certification from the state department of transportation is valid.

Additionally, the FAST Act established a *Nationally Significant Freight and Highway Projects* program as a competitive grant process (FASTLANE) with dedicated funding specifically for freight projects. The competitive grant program includes $4.5 billion nationally from 2016 through 2020, an annual average of $900 million. Each fiscal year, at least 25 percent of all Nationally Significant Freight and Highway Projects funds are reserved for projects—either large or small projects—in rural areas, defined as an area outside a U.S. Census Bureau designated urbanized area with populations over 200,000. Eligible projects include a highway freight project carried out on the National Highway Freight Network. In relationship to Critical Rural Freight Corridors, the April 27, 2016 guidance indicates that designated and certified Critical Rural Freight Corridors will be eligible for funding under the Nationally Significant Freight and Highway Projects program (FASTLANE).

Congress through the FAST Act provided a framework and funding to assist with improved freight movement and especially rural freight movement in the United States. Congressional oversight, however, will be important as individual state departments of transportation like Nebraska Department of Roads, and the administration of USDOT/FHWA have been given major decision-making authorities on how the funding of freight programs are allocated.

Conclusions

As I conclude, let me summarize. There is significant importance of the transportation system to rural economic development. Research shows that economic strength of communities is strongly affected by proximity to an interstate highway or at minimum a four-lane highway. Significant economic national benefits from the development of primarily rural corridors to a four-lane profile is demonstrated through benefit/cost analysis in the Corridor Development and Management Plans for the Heartland Expressway in Nebraska and the Ports-to-Plains Corridor in Texas, Oklahoma, New Mexico and Colorado.

Second, if improvements are to be made in the rural movement of freight, it will require a strong Federal role. Historically, that has been the case. A critical part of the national network is the multi-state rural highway corridors that are essential to the development of America's energy and agricultural resources. A strong Federal interest will be required to improve existing corridors but also to implement programs which look to alternatives to the already congested interstate system.

Finally, the FAST Act has provided a policy and funding framework for Building Rural Economies Together. At the very core of that framework for multi-state rural corridors is the role of Critical Rural Freight Corridors. State departments of transportation hold the reins to the timing and priority of Critical Rural Freight Corridors.

Thank you, Chairwoman Fisher. I ask that a copy of this statement be included in the hearing record.

Mrs. FISCHER. Thank you very much.

Mr. Freeman, welcome.

STATEMENT OF DAVID FREEMAN, SENIOR VICE PRESIDENT, TRANSPORTATION, BNSF RAILWAY COMPANY

Mr. FREEMAN. Good morning again, Senator Fischer. My name is David Freeman, and I am the Senior Vice President of Transportation for BNSF. Thank you for inviting me to testify today.

Congress has enacted several significant pieces of legislation that affect the supply chain. BNSF is pleased to have this opportunity to thank the members of the Committee for the balanced and effective approach in passing these transportation laws which are particularly important to the rural economy.

The economic value of rail is well known in Nebraska, and railroads are the workhorse of the economy. They deliver approximately 40 percent of inner-city freight volume, more than any other mode of transportation, and shippers pay less because of rail's efficiency.

BNSF is wholly owned by Nebraska-based Berkshire Hathaway. It has approximately 42,000 employees, including more than 5,000 here in Nebraska. We operate about 1,200 trains per day, and our total volumes last year were about 10.3 million units, the most of any railroad.

BNSF operates major rail facilities at Alliance, Lincoln, McCook, Omaha and Haslett, and operates more than 1,400 miles of track in Nebraska. We move more than 2 million carloads of freight through the state annually. Much of it is coal from the Powder River Basin, which drives rail employment and investment here in Nebraska. More than 1,000 employees in Alliance inspect, repair, and overhaul equipment mostly associated with coal transportation.

Rail volumes are a good indicator of how the economy is performing. While my written testimony details concerns about the current freight outlook, particularly with respect to coal, the good news is that BNSF has the capacity to grow with our customers. Volumes peaked for NBSF in 2006. Then we lost 20 percent of the units by 2009 to the Great Recession. After that, freight volumes grew twice as fast as the economy through 2014, and the industry struggled to handle that.

Throughout this period, the rail freight industry, especially BNSF, increased investment with volumes. Since 2000, BNSF has invested more than $53 billion in its network. Unfortunately, volumes in 2016 are now trending downward. By January, volumes had fallen by about 9 percent. We do not see a lot of growth in the near to mid-term outlook. At the moment, BNSF has about 4,500 transportation employees on furlough and more than 1,800 locomotives in storage. My written testimony contains more detail about volumes across BNSF business units.

The economy is running on two tracks. The consumer economy is stable but not growing quickly, and the industrial economy is slowing, if not in recession. A strong U.S. dollar, changes in energy markets, and regulation are a drag on growth. There is no better place to see that than coal volumes. This year, coal traffic in the U.S. has decreased more than 30 percent year over year. Markets are at work here. Falling demand has reduced coal utilization, but EPA regulations will ensure that coal will not likely grow again.

Coal's steep decline means a significant downshift for investment in infrastructure, manpower, and other resources that support coal movements. BNSF, of course, must match costs to reduce volumes, and we are working on that. But cost is not the only element in the equation. We are also committed to generating growth.

Turning to freight policy, from BNSF's perspective, the extension of the PTC deadline was one of Congress' most significant legislative accomplishments. BNSF expects that by the end of 2018 PTC will be installed as required on its network.

Enactment of the FAST Act was a significant legislative achievement that will benefit the Nation's supply chain. The law prioritizes freight projects in a way no previous highway bill has done, and provides more Federal funding to mitigate public roadway conflicts with railroads' rights of way.

Significantly, the FAST Act streamlined environmental and historic preservation reviews for railroad projects. Almost weekly at BNSF, negative decisions from courts or permitting authorities at all levels of government demonstrate that our growth is limited by permitting processes.

Finally, Congress does not authorize or appropriate railroad capital budgets. However, Federal economic regulatory policy directly impacts investment decisions. BNSF appreciates the bipartisan effort to achieve balanced regulatory oversight in the reauthorization of the Surface Transportation bill. The virtuous cycle of growth in volume, revenues and reinvestment has brought us to where we are now. BNSF infrastructure is in the best shape it has ever been to meet customer needs, and its safety record is at an all-time best. The Nebraska division is amongst the top three safest on our network. Nowhere is efficient freight rail more important than places like Western Nebraska, and Senator Fischer and members of the Senate Commerce Committee have understood that.

Thank you, and I look forward to answering any questions you may have.

[The prepared statement of Mr. Freeman follows:]

PREPARED STATEMENT OF DAVID FREEMAN, SENIOR VICE PRESIDENT, TRANSPORTATION, BNSF RAILWAY COMPANY

Good Morning Chairwoman Fischer. My name is Dave Freeman and I am the Senior Vice President—Transportation for BNSF Railway Company (BNSF). In this role I have responsibility for all train movement on the BNSF network in addition to capacity planning, and service performance. Thank you for inviting me to testify today. In addition to providing an overview of Nebraska's role in BNSF's business and operations, my testimony will discuss BNSF's perspective on the state of the freight economy, as well as the importance of good public policy for an efficient supply chain.

Several significant pieces of legislation that affect the supply chain have been enacted by this Congress. BNSF is pleased to have this opportunity to thank Senator Fischer and the Members of the Senate Commerce Committee for the balanced and effective approach undertaken in passing these laws on important transportation policy issues, which include railroad economic regulation, safety rules and surface transportation policy. These laws are particularly important to the rural economy, where freight rail and roads play a large role in the movement of goods.

Rail Industry & BNSF Overview and Outlook

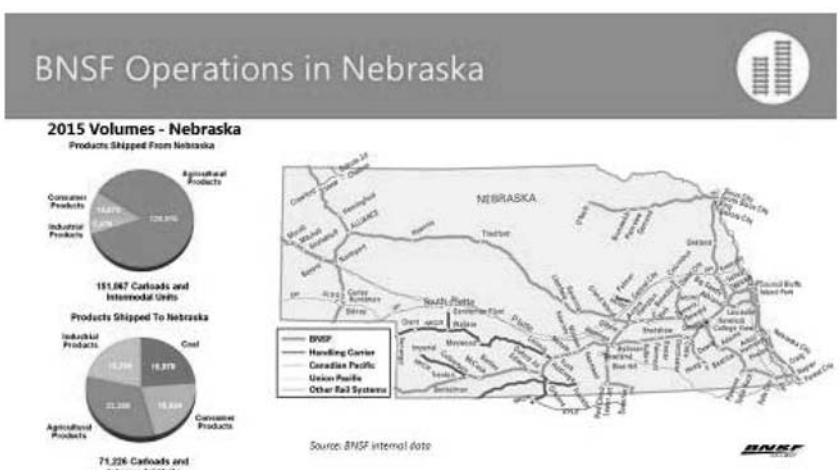
The economic value of rail is well known in Nebraska, where generations of family histories are linked to that of the railroads. Railroads in the U.S. operate across a nearly 140,000 mile network and are the workhorse of the economy. They deliver approximately 40 percent of intercity freight volume, more than any other mode of transportation. And because railroads do it more efficiently than most other transportation modes, shippers pay less for transportation by rail.

Freight rail also lessens the environmental impact of the supply chain. For example, BNSF can move a single ton of freight almost 500 miles on a single gallon of fuel, reducing greenhouse gas emissions by 75 percent. One double-stack intermodal train of consumer products removes more than 250 long-haul freight trucks from the highway, helping to reduce traffic congestion and wear and tear on the Nation's highways.

BNSF is wholly owned by Nebraska-based Berkshire Hathaway, which completed its acquisition of the railroad in early 2010. At the time of purchase, Berkshire CEO Warren Buffett proclaimed it "an all-in wager on the economic future of the United States." BNSF operates one of the largest freight rail systems in North America with approximately 32,000 route miles in 28 states and also operates in three Canadian Provinces. BNSF has approximately 42,000 employees and operates about 1,200 trains per day.

Total volume for all types of freight hauled by BNSF last year was 10.3 million units, the most of any railroad. BNSF is the leading intermodal transportation provider, handling millions of shipments every year that could travel exclusively by truck but are carried on the railroad. BNSF hauled more than 4.8 million containers and trailers in 2015, representing close to half of all the freight units that BNSF handled for the year. BNSF hauls the most grain and coal and also has a large industrial products franchise, which includes crude oil and drilling inputs.

BNSF's network serves all major ports along the west coast and Gulf of Mexico. Freight flows through several key transcontinental corridors—the Southern Transcon, which connects Southern California and Chicago; the Great Northern Transcon, which is the Pacific Northwest to Chicago and beyond; and the Midcon Corridor, which includes the lines that essentially move freight north and south. Nebraska is part of the Midcon Corridor.

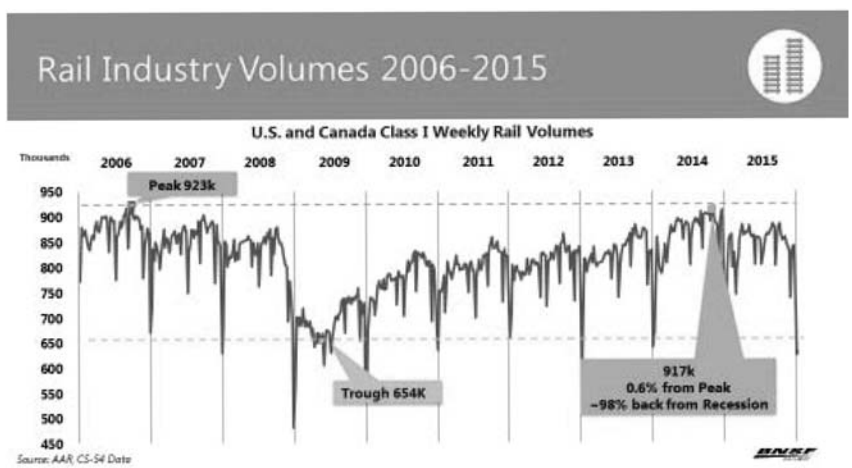


For more than a century, BNSF and its predecessor railroads have played an important role in Nebraska's economy. BNSF's footprint across Nebraska dates back to the late 1860s when the Burlington & Missouri River Rail Road (B&MR) began planning its westward expansion from Iowa across the Missouri River at Plattsmouth. By the summer of 1870, the B&MR had built a new railroad from the west bank of the Missouri River to the newly designated state capital of Lincoln. By 1882, the new Nebraska line had crossed the entire state and into Denver, Colorado. Eventually, more railroad was built across the state, running northwest to Billings, Montana and beyond.

BNSF employs more than 5,000 people in Nebraska with an annual payroll of almost $385 million, and operates major rail yards in Alliance, Lincoln, McCook and Omaha. We also operate shops in Lincoln, Havelock and Alliance. BNSF currently owns and operates more than 1,400 miles of track in Nebraska, moving more than two million carloads of freight through the state on annual basis.

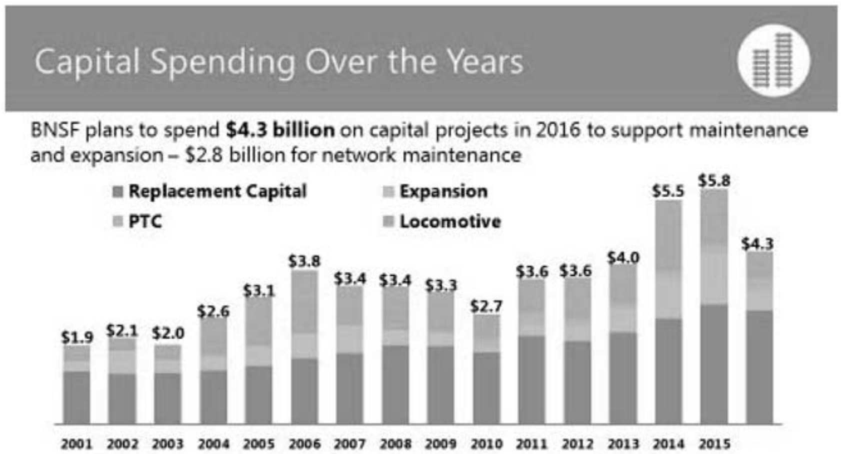
BNSF delivers fertilizer from plants around the country to grow yields for Nebraska's crops. It links the state's agricultural industry, including its emerging ethanol industry, to markets domestically and around the world. BNSF also delivers a wide variety of consumer products to Nebraska retailers and businesses along with lumber and other building materials from the Northwest and the Southeast to satisfy construction demands throughout the state.

A significant percentage of BNSF's traffic moving across the state is cleaner-burning Powder River Basin (PRB) coal from Montana and Wyoming, headed not only to Nebraska where its citizens rely on coal for their energy needs, but to electricity generators and consumers around the country. Coal freight traffic drives much of the rail employment and investment in Nebraska. More than 1,000 employees work at Alliance, where loaded and empty coal trains, along with mixed freight trains, are processed and rail cars and locomotives are inspected, repaired and overhauled.



Rail volumes are a good indicator of how the economy is performing. Freight rail volumes peaked in 2006 and then bottomed out during the Great Recession, when freight railroads lost 20 percent of their volume. BNSF carried 10.6 million units of freight in 2006 but plummeted to 8.4 million units in 2009.

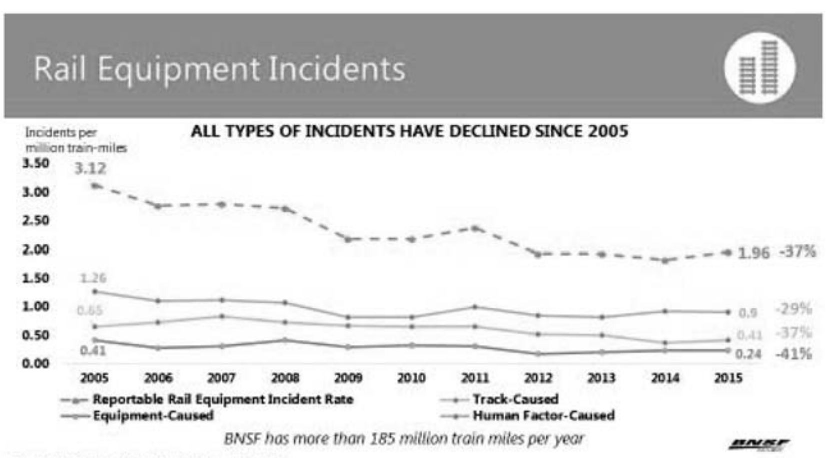
Coming out of the Great Recession, consistent growth in rail volumes did not begin again until 2010. Then, as the economy limped its way out of the recession, rail volumes actually grew at double the 2.1 percent rate of economic growth from 2009 to 2014. The industry struggled with handling the volume growth during 2013 and 2014 and, while the number of units on the railroad never quite got back to peak, BNSF exceeded its peak in gross ton miles which reflected a shift in traffic mix to heavier commodities like coal, crude oil and grain. Throughout this period, the freight rail industry, especially BNSF, increased volume and investment.



Since 2000, BNSF has invested more than $53 billion in its network; all railroads invested heavily during this period. BNSF had all-time record capital programs in 2014 and 2015—totaling more than $11 billion. We added almost 200 miles of double-track, approximately 1,000 miles of centralized traffic control, 16 new sidings and more than 20 extended sidings. In Nebraska last year, BNSF's $245 million capital plan for the state included, among other things, construction of two double track segments on the Ravenna subdivision between Bradshaw and Aurora and Pleasant Dale and Milford totaling 18 miles. These projects improve capacity on the Midcon Corridor, currently the heaviest trafficked coal route.

In 2016, BNSF plans to invest approximately $110 million in its network in Nebraska, continuing a robust capital program which has seen investment of more than $500 million in Nebraska infrastructure over the last five years. In 2016 BNSF plans include approximately 1,760 miles of track surfacing and/or undercutting work, the replacement of about 40 miles of rail and more than 160,000 ties, as well as signal upgrades for federally mandated positive train control (PTC).

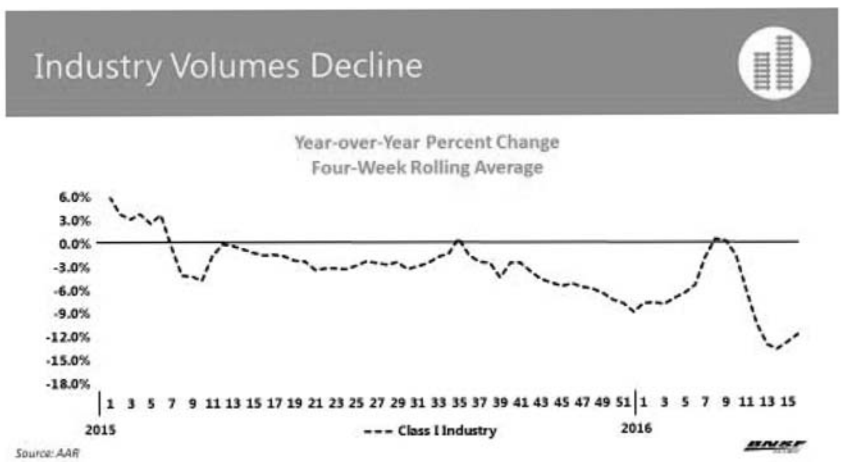
While my testimony will detail some concerning news in the current freight outlook, particularly with respect to coal, the good news is that BNSF has the capacity available to continue to grow with our customers and facilitate development within the region. These investments give us expanded capacity for improved service—our performance was strong in 2015 and we are carrying that momentum through 2016. BNSF infrastructure is in the best shape it has ever been to meet customer needs and operate safely.



As BNSF's Executive Vice President for Operations Greg Fox shared in testimony before this subcommittee last summer on the role of technology in improving safety, BNSF and the rail industry are currently experiencing the safest years on record, showing significant improvement over the past decade.

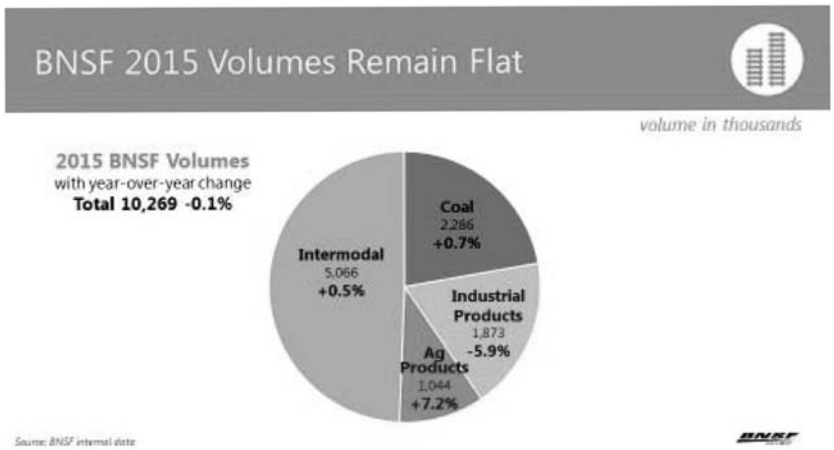
During this time, safety improvements have occurred even as volumes increased, including volumes of hazardous materials and the growth in crude-by-rail. Continued robust investment in infrastructure has played a direct role in this success, along with the deployment of technology and safe operating practices, which involve rules compliance and a commitment to safety by BNSF's employees.

I am pleased to report that the Nebraska Division is currently one of BNSF's top three safest divisions. Its 2015 reportable employee injury frequency ratio, at 0.82 reportable injuries per 200,000 employee hours, is even better than BNSF's system-wide average of 0.95 (which would be a best ever measure for any year on the railroad).



Unfortunately, volumes in 2016 now are trending well off the recent "peak" volume levels realized in 2014. In 2015, industry volumes decreased about three percent versus 2014. The last two months were especially challenging as we saw the traffic decline accelerate. In December, volumes were down about nine percent versus 2014. This downward trend has continued into 2016 and we do not see a lot of growth in the near to mid-term outlook. At the moment, BNSF has 4,500 transportation employees on furlough and 1,800 locomotives in storage. All railroads are undertaking efficiency efforts in order to reduce costs to match volumes, aligning resources with the current business.

The economy is running on two tracks—the consumer economy is stable but not growing quickly, and the industrial economy is slowing, if not in recession. There is a structural change occurring in the traditional volume mix of railroad traffic, and the dynamics have been changing at a pace that I have not seen in my career. Coal volumes are at the heart of it, but volumes related to the industrial economy are also suffering. A strong U.S. dollar, changes in energy markets and regulation are a drag on growth. The consumer economy—consumer goods and automobiles—continues to grow at a modest pace. The ongoing change in railroad volume, mix and revenue currently underway will impact the freight rail industry for some time to come.



There is no better place to see that than coal volumes. At the beginning of 2015, we saw strong customer demand focused on rebuilding inventories—due to the underperformance in 2014. Continued service improvements and a mild winter have driven stock piles to historic highs; combined with low prices for natural gas, coal demand is at a historic low, as a fundamental shift in electricity generation is taking place. The Energy Information Administration is now forecasting that 2016 will be the first year that natural gas-fired electricity generation will exceed coal generation in the U.S. on an annual basis.

In 2013, coal was still about 40 percent of tonnage and nearly 20 percent of rail revenue for U.S. Class I railroads. This year, coal traffic in the U.S. has decreased more than 30 percent (31.7) year-over-year. Markets are at work here; falling demand has reduced coal utilization. But Environmental Protection Agency regulations will ensure that coal will not likely grow again.

Coal's steep decline means a significant downshift for the investment in infrastructure, manpower and other resources that supported coal movements. BNSF, of course, must match costs to reduced volumes, and are working on that. But cost is not the only element in the equation. We also are committed to generating growth across all of our business units in order to diversify Midcon Corridor utilization.

Agriculture shipments—primarily corn, soybeans and wheat, as well as ethanol—represent about 10 percent of BNSF volumes. Approximately 34 percent of BNSF's annual agricultural shipments are exported outside of the U.S. Of BNSF grain shipments, 60 percent move to export markets. In 2015, agriculture products made up more than 85 percent of BNSF shipments originated in Nebraska, almost half of which were corn and ethanol. Of the agricultural units originated in Nebraska, the majority are destined for Texas (37 percent), California (23 percent) and Washington (16 percent).

Growth in agricultural products over the last several years has been steady due to increased plantings, improvements in crop yields, as well as continued expansion of grain facilities. In fact, the last three years of U.S. grain production have been the highest on record. Planting conditions indicate another big crop year in 2016 and BNSF will be ready to meet our customers' needs. As U.S. crop yields have increased, BNSF has expanded its capacity and efficiency in kind. Railroads are a factor in the U.S. producer's competitive position as a least cost producer in the world market. An efficient and low cost rail network is particularly important to Nebraska agricultural producers. Every load of agricultural products starts in a truck and, then if loaded on rail, has the optionality to move to end markets both domestic and international.

For the first quarter 2016, agricultural products on BNSF are up 1.5 percent, driven by record soybean exports through the Pacific Northwest ports and increased ethanol shipments. However, U.S. agricultural exports continue to face headwinds from global competition, low commodity prices and the strong U.S. dollar, which has grown more than 19 percent since July 2014. This is impacting many of BNSF's export segments.

Turning now to industrial products, BNSF volumes in this segment for the first quarter 2016 are down 9.2 percent, due mainly to business related to crude drilling and production. Year-over-year, industrial products were down just under 6 percent

(5.9) in 2015 versus 2014; crude volumes decreased 10.6 percent in 2015 as a result of lower oil prices. In 2014, we were averaging about 750,000 barrels of crude oil per day and that volume declined to an average 620,000 barrels per day in 2015. This trend worsened throughout 2015 and currently we are averaging around 360,000 barrels per day in 2016. Not surprisingly, other input commodities such as minerals and frac sand were also down in 2015, about 20 percent (21.3) versus 2014, and down in the first quarter 2016 over 25 percent (25.3).

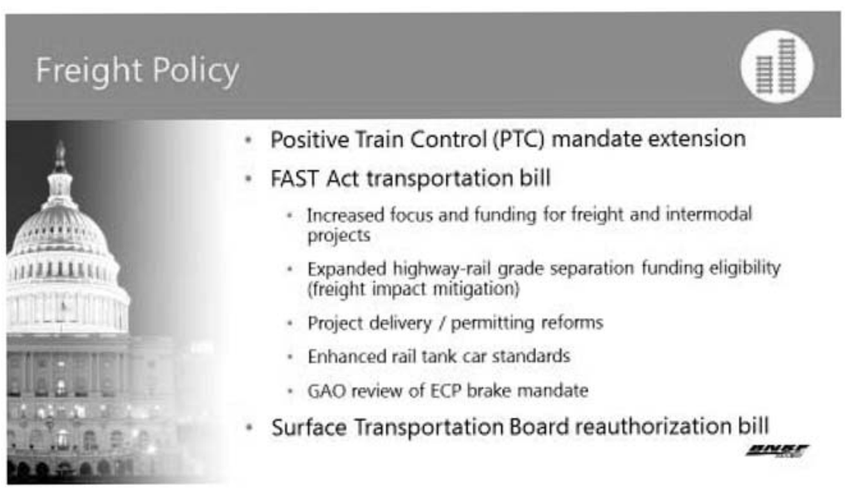
Plastics, on the other hand, are poised to grow given the more than $1 billion expansion of the petrochemical and refining complex along the Gulf Coast, fueled by low cost American oil. We expect oil-related shipments to by cyclical, while coal's downturn appears to be systemic, and likely permanent.

Rounding out a review of BNSF business units, we end on a positive note. BNSF's largest business unit is intermodal—consumer products that move on trucks and rail, and sometimes also from a ship. BNSF intermodal volumes increased slightly in 2015, about 0.5 percent. Those volumes are almost 70 percent back from the recessionary trough.

In 2015, international volumes were down almost 2 percent (1.8) as shippers diverted freight from U.S. West Coast Ports, responding to disruptions by the International Longshore and Warehouse Union (ILWU) labor negotiations. BNSF's Vice President of Consumer Products, Katie Farmer, testified before the Subcommittee about those impacts on the freight rail network last year. As you know, an agreement was reached in late February 2015, and pent-up demand began to clear in March. It is hard to tell exactly how much, but we know a certain percentage of that freight did not come back. It went permanently to other ports in Canada or on the East Coast.

On a brighter note, BNSF domestic intermodal volumes, converting truck to rail, were up 2.4 percent year-over-year. Looking forward, we see additional growth potential and opportunities to take more truck miles onto the railroad. Looking longer-term, this will continue to be one of BNSF's best business growth propositions. We work hard to provide the service that converts truck miles to the railroad; trucking companies are BNSF's largest customers.

Public Policy Review



Turning to freight policy, the interests of Nebraska shippers and the freight industry were well served by several important pieces of legislation that this Congress has passed. From BNSF's perspective, the extension of the PTC deadline was one of the most significant of these legislative measures. Freight rail traffic was poised to effectively stop before the end of 2015 if Congress did not act. The deadline was responsibly extended by Congress, and BNSF expects that by the end of 2018, PTC will be installed as required on its network. BNSF has completed more than 80 percent of the necessary signal work and equipment of locomotives to support PTC implementation, and as of today is running trains in Revenue Service Demonstration (RSD) across 14 of its subdivisions. To date, we have operated more than 60,000 PTC trains in revenue service. We continue to work through challenges that the

RSD is helping expose, including overall reliability of a complex system of systems, initialization of the locomotive onboard computer system prior to train departure, and en route failures and braking performance that relies on complex braking algorithms.

Enactment of the Fixing America's Surface Transportation (FAST) Act was a significant accomplishment that will benefit the Nation's supply chain. The law prioritizes freight projects in a way no previous highway bill has done. It provides funding for not only freight-related roadway projects, like intermodal connectors and highway-rail grade separations, but also potentially port projects and some freight rail projects, such as port facility freight rail access projects, critical bridge infrastructure and railroad relocations. Throughout the laws various programs and policy provisions, special emphasis is placed on providing Federal funding to state and local efforts to reduce road and highway conflict with freight railroad rights-of-way.

Significantly, the FAST Act continued and expanded upon project delivery and permitting reforms enacted as part of the reauthorization bill's predecessor—MAP–21. Of particular interest to railroads, the bill directs the U.S. Department of Transportation (DOT) and Federal Railroad Administration (FRA) to streamline and improve rail-related environmental and historic preservation reviews, either through internal process changes or by rulemaking. Permitting reform is critical at all levels of government. At BNSF, almost weekly, negative decisions from courts or permitting authorities at all levels of government demonstrate to BNSF and its customers that our growth, especially at origins and destinations, is limited by the inability to receive required permits.

I would like to point out that the Senate version of the Water Resources Development Act (WRDA) contains additional provisions which BNSF considers important to continued permit reform. Section 1021 of the bill would expand the authority contained in Section 214 of the statute to cover railroad projects. Section 214 presently authorizes the Secretary of the Army to accept and expend funds from non-federal public entities, public utilities and natural gas pipeline companies to expedite the evaluation and processing of permit applications that fall under the jurisdiction of the Department of the Army. Amending the Corps' Section 214 authority to expedite the evaluation and processing of permits to include rail initiatives would streamline the industry's ability to deliver critical infrastructure projects that benefit the communities in which railroads operate and the customers they serve. Importantly, the new provision would not make any substantive or process changes and all environment rules and protections would continue to apply. We encourage enactment of this important provision.

In addition, there is also a bipartisan legislative effort underway in the Senate to provide for a limited railroad exclusion from FCC review for safety-related equipment in railroad rights-of-way that rely on wireless communications. We strongly support this proposal which builds on the reforms established in the FAST Act, and hope it will move forward in the legislative process. Permitting reforms like those described above are critical to BNSF operations as continued permitting delays effectively cap growth and access to markets, which not only hurts the railroad but Nebraska's shippers.

The FAST Act also followed and improved a recently released DOT rule related to rail transportation of certain flammable liquids, including crude. The DOT's rule established design standards for tank cars, along with operating requirements for High Hazard Flammable Trains (HHFT), including a mandate for the installation of Electronically Controlled Pneumatic (ECP) Brakes. Congress refined several important aspects of the rule's provisions, including strengthened requirements for new tank cars and calling for a data-driven analysis for ECP brakes, thereby improving safety outcomes and the overall regulatory process.

Congress does not authorize or appropriate railroad capital budgets; however, Federal freight railroad economic regulatory policy directly impacts the investment decisions of freight railroads. Adequate freight railroad investment, driven by appropriate returns, is an important factor in Nebraska's competitiveness in the world economy. BNSF and the rail industry did not oppose the passage of S.808, the Surface Transportation Board Reauthorization Act, which reauthorized the Surface Transportation Board, the agency which exercises economic regulatory authority over freight railroads. This legislation made a number of important process changes at the Board, and BNSF is carefully watching implementation of its provisions. Committee Chairman John Thune (R–SD), Chairwoman Fischer and other members of the Commerce Committee worked in a bipartisan fashion to craft legislation that sought to strike a balance between regulatory oversight of the railroads with the industry's need to earn sufficient revenues to allow for reinvestment. As we have stated many times since passage of the Staggers Rail Act in 1980, balanced regulatory oversight is critical to the health of the freight rail industry and its customers who depend on us to deliver consistent and cost-effective rail service.

Conclusion

In conclusion, the freight rail industry has never been more prepared to take on freight volume and provide service to customers than it is right now. The "virtuous cycle" of growth in volumes, revenues and reinvestment has brought us to this place. However, Congressional action has also been part of this; Congress prioritized the supply chain within infrastructure policy, made important project delivery reforms and judiciously balanced the needs of supply chain participants. Most importantly Congress deftly prevented over-regulation. It is impossible to overstate how important that is to the ongoing availability of necessary capital and the efficiency of railroad operations.

In the current economy, it is difficult to know the "what" or the "when" growth will return. But we believe that improvement will come. Earlier this year, the DOT released new 30-year freight projections. They are showing that freight tons moving on the Nation's transportation network will grow 40 percent in the next three decades.

We have invested to handle it, and we have the workforce—in Nebraska and elsewhere—to move the additional freight that America will need. The current period is difficult, and BNSF and all the Nation's railroads are working to manage it in the most responsible way possible.

Whatever the future brings, BNSF expects to continue to be able to support the economy of rural America. We will not just move its grain to market, coal to power its electricity generation, consumer goods to provide its consumers with the same choices as urban consumers, we also will work as a partner to develop and diversify the rural economy. From 2013 to 2015, BNSF was instrumental in locating 414 new or expanded facilities across the network; in Nebraska alone BNSF helped create more than $300 million in investments and 100 jobs over that period. Nowhere is efficient freight rail more important than places like Western Nebraska, and BNSF appreciates that Senator Fischer and Members of the Senate Commerce Committee have understood that.

Mrs. FISCHER. Thank you very much.

Mr. Kelley, welcome.

STATEMENT OF KEVIN KELLEY, PRESIDENT, KELLEY BEAN COMPANY

Mr. KELLEY. Again, I'd like to thank you. I'm honored to be here today, and thank you for having the hearing here in Scottsbluff at WNCC, Senator Fischer. I'm looking forward to sharing this with you. I could talk for hours, but I'll keep it quick. We are thankful for the opportunity to present testimony before this committee.

Kelley Bean is involved in the organization and marketing of dry edible beans. We are tied to both the grower and end users. It's our job to move the grower's production into the domestic and export markets. In a given year we utilize approximately 700 rail cars and 3,000 trucks for shipments that we are responsible for the transportation. Transportation logistics are crucial to our business.

With rail transportation, we were classified under specialty commodities. We rely on single and small-quantity rail car placements at our plants, as opposed to unit trains used in grains and coal. This necessitates frequent spotting of empty rail cars to keep the flow of production moving during times of high-volume shipments.

We have now been limited to one rail car switch a week at many locations. This situation is compounded when an empty rail car is delivered that is unsuitable for use and cannot be replaced until the next switch. This slows our production flow and delays delivery to the end customer. With this limited placement of rail cars, we also believe that railroads need to address their merged schedules to fit the rail car delivery situation.

As the economy improves and demand for transportation increases, we fear that the service level can only suffer and that specialty commodities will feel a large impact on service levels as railroads focus on their primary high-volume and high-profit customers. We have seen and experienced this in the past when the railroad capacity was stretched and service levels dropped.

As an example would be 2 years ago with Great Northern bean shipments to be exported to the Port of Houston. Service was very poor and railroads were not being supplied as needed. Due to rail delays, we were forced to ship the product by truck to Houston in order to comply with our sales contract terms. This was a great expense for our company in higher freight and cost and lost sales.

Railcar Despacho Previo, pre-documentation of railcar for export to Mexico, was implemented in the early 1990s to alleviate congestion at the border and to comply with Mexican customs law requiring documentation and payment of duties prior to the railcar entering Mexico. The reason behind the implementation was a situation of a lack of engines at the border to cross the railcars in an orderly manner, creating a 5,000 railcar backup that spread through several states, sidelining railcars destined for the border crossing.

That situation does not exist today. Current Despacho Previo rules, as spelled out in BNSF Rules Book 6100–A, Item 3140E, only allow 48 hours from release of the railcar at the origin shipping point for delivery to the border of the required export documentation. After the expiry of the 48 hours, a documentation demurrage is charged by the railroad on a daily basis. This is an exceedingly short period of time to deliver the documents to the border, especially considering that a USDA Phytosanitary Certificate must be issued by a government agency after the railcar is loaded and released to the BNSF. In many cases, the railcar is still sitting alongside the shipping warehouse after the 48-hour period expires and has not physically moved or has only progressed a short distance in transit. This does not lead to congestion at the border.

With the current situation, this appears to be more of a revenue generator than a legitimate mechanization for preventing congestion at the border. We would request a longer Despacho Previo period to give the shipper adequate time to accumulate the needed documents and dispatch those documents in an orderly fashion to the forwarding agent at the border. If shippers are given at least 96 hours, it would aid the shipper and would likely have no impact on border congestion.

We would also like to say that we support the Highway Transportation Bill. It is a step in the right direction for funding a highway system that is essential to our industry and to the Nation as a whole. We need to have an extensive, safe, well-maintained highway infrastructure to convey the commerce of the United States for now and into the future.

In order to accomplish this, we need to allocate greater funds than are earmarked to expand the capacity and quality of our highway system, not just maintain and patch to keep them usable. As the economy expands, the volume of truck freight will increase and require more trucks and qualified drivers and higher capacity highways. Since the highway system is shared by both commercial and private vehicles, highway safety must be a major component. This pursuit of highway safety should not be based on restrictive rules, regulations, and mandates to create a sense of safety, but with actual improvements to capacity, quality, and safeguards of the highways themselves.

I'd like to thank you for allowing me to present today.

[The prepared statement of Mr. Kelley follows:]

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As the economy improves and demand for transportation increases, we fear that the service level can only suffer and that Specialty Commodities will feel a large impact on service levels as the railroads focus on their primary high volume and high profit customers. We have seen and experienced this in the past, when the railroad capacity was stretched and service levels dropped. An example would be 2 years ago with Great Northern Bean shipments to be exported from the Port of Houston. Service was very poor and railcars were not being supplied as needed. Due to rail delays, we were forced to ship the product by truck to Houston in order to comply with our sale contract terms. This was at a great expense to our company on higher freight cost and lost sales.

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Mrs. FISCHER. Thank you very much.

Mr. HOLLIDAY.

STATEMENT OF RICHARD B. BRENT HOLLIDAY, JR., CHIEF EXECUTIVE OFFICER, NEBRASKA TRANSPORT COMPANY

Mr. HOLLIDAY. Good morning again, Senator Fischer.

Mrs. FISCHER. Good morning.

Mr. HOLLIDAY. I'd like to thank you and the Committee for hosting this hearing today and for the opportunity to testify.

My name is Richard B. Brent Holliday, Jr., and I am the owner and the CEO of Nebraska Transport Company based here in Nebraska. My son Phillip represents the third generation of our family owned business. We serve greater Nebraska and the Midwest, and most of our revenue sources derive from our less than truckload or LTL operations, and supplemental income supplied through our truckload brokerage and expedited services. We operate 10 terminals nationally, six of which are located in Nebraska, and we currently have 225 employees.

I want to begin my testimony today with a quote from a man that I've admired all my life, one of my heroes. He once told me—and this is a true statement—"Brent, sometimes it's better to be a pup on the porch than a big dog out in the street." That man was Richard B. Holliday, Sr. He was my father. He ended up in Scottsbluff because this is where he ran out of gas and money when he was 18 years old, and he worked odd jobs until he secured a job on a freight dock and later became a truck driver. He went on to work for a local company with numerous promotions in his 26-year tenure at that company. He ultimately held the title of VP of Operations. The company he worked for sold to a national carrier, and shortly afterwards he bought the ICC authority of a dormant company, and the story of NTC started in 1973.

Now, that doesn't have a lot to do with what we're doing or talking about today, but trucking has been a family business, and most of the carriers that serve Nebraska are small carriers. It's very important to the future of our network.

In Nebraska, there are 13,500 interstate carriers registered. That makes us second only to Texas, and per capita we are actually first. That does not include private or intrastate carriers. The majority of these carriers are small carriers. Eight-hundred-fifteen-thousand pieces of equipment over 26,000 pounds are registered in the state of Nebraska. The local and regional economic impact is evident.

Regardless of the different modes of transportation required to move goods from Omaha to North Platte or Beijing to Gering, trucks represent the first and last mile in a worldwide freight chain. Much of the last-mile service is provided by smaller carriers. For an effective local and regional transportation network, we have to have an ample supply of safe and financially strong carriers, large and small.

Regardless of fleet size, regulation has impacted everyone financially. The burden for smaller carriers, the carriers that serve communities such as Scottsbluff on a regular basis, is even more profound. There's not a road in the state of Nebraska that one of our trucks has been on, and not everyone is just dying to have service to Venango, Nebraska, but it's important to the people of Venango, Nebraska.

Other industry headwinds such as the driver shortage, turnover, and escalating equipment costs pose a real threat. According to a recent article in *Transport Topics,* 3,585 trucks were sidelined in the first quarter of 2016. That is three-and-a-half times the amount of trucks removed from operation than in the first quarter of 2015. New, revised, and future regulation will continue to put pressure on carriers financially.

Now, let me say this: regulation is not a bad thing. It has made our industry as safe as it ever has been and ensures our drivers are trained and tested to make sure that they are physically and mentally fit to share the roads with our families. Things such as EOBs and standardized safety scoring system for trucking is not only beneficial, it is a must. But it has to be consistent state to state and community to community when it comes to enforcement and measurement.

We are not afraid of regulation, and we're not afraid of managing regulation. Management of regulatory consistency is attainable. However, consistent regulatory changes are not. In other words, tell us what you want. We'll manage it. We'll make it right. We'll get it right, and we'll train our people. Revisions that require network and system changes are expensive and confusing to employees, and it affects service to rural communities.

The implementation of the FAST Act is a very good start, and we really want to thank you for your work on that. Things like requiring the FMSCA to specify how it intends to evaluate future rules to measure their intended outcomes using a wider scope and selection of motor carriers and its cost/benefit analysis, listening to public concern for potential regulatory action, and requiring data on how safety initiatives will be quantified are all very positive steps.

The FAST Act hopefully moves us into a more interactive and commonsense approach to future regulation. Real world versus regulation will never be understood in Washington without an interactive and collaborative approach with those being regulated. Increased regulation needs to be balanced and statistically data based. Thanks again for what you've done.

The day of the pup staying on the porch where it's safe is over. Carriers of all sizes need to be prepared to be in the street, and we need to know we can survive when we get there. If we don't, the communities we serve will be held hostage to "you get it when you get it" due to a cost structure that means extreme efficiency at the expense of service. We need your help, Senator Fischer, and we are certainly willing and prepared to help you. Thank you again.

[The prepared statement of Mr. Holliday follows:]

PREPARED STATEMENT OF RICHARD B. BRENT HOLLIDAY, JR., CHIEF EXECUTIVE OFFICER, NEBRASKA TRANSPORT COMPANY

1. The Driver Shortage is Bad and Getting Worse

a. The driver shortage is currently 48,000 and growing
b. There are many reasons for the driver shortage, including lifestyle and other local job alternatives.
c. The biggest reason appears to be driver age. The average driver is 8–10 years older than the average American worker. Hence, retirements will disproportionately affect our industry.
d. We need to begin identifying ways to attract more individuals to our industry

2. We Need Stability/Consistent Regulations

a. Trucking has struggled to plan and adapt under changing regulations (like hours of service) and the uncertainty of future ones (sleep apnea).
b. We appreciate Senator Fischer's regulatory reform language in the FAST ACT which requires FMCSA to prioritize rulemakings.
c. We also urge greater Congressional oversight with respect to the necessity of rules (*i.e.,* is there a compelling need and will they have a net safety benefit?).
d. Regulation needs to be balanced and statistic based. What is real world vs. Regulation
e. A study for George Mason University finds that since 1980 $4 Trillion dollars has been lost in economic growth due to growing regulations and our economy would be 25 percent larger if regulation would have been frozen in 1980
f. Management of regulatory consistency is attainable, constant regulation changes create hardship to the carrier, drivers, and customers

3. The New Electronic Logging Device Mandate Should Apply to All

a. FMCSA's new ELDs mandate exempts several groups of carriers.
b. Those using pre-model year 2000 trucks and those operating locally (*i.e.,* within a 100-mile radius) are generally exempt.
c. These exemptions create safety implications and establish an un-level competitive playing field.
d. FMCSA should correct for this inequity and refuse exemptions for carriers and industry segments that will, inevitably, request them.
e. ELD's eliminate a layer of ability to alter actual on duty violations.

4. Highway Investment is Insufficient

a. While the FAST Act increased highway funding by about 5 percent, this is not sufficient to make up the $740 billion backlog in needed highway capital investments to improve highway and bridge maintenance and address capacity needs (the Federal share is about half).
b. Two-thirds of roads are in poor or mediocre condition and 63,000 bridges are structurally deficient.
c. Congestion costs the trucking industry $50 billion annually, including more than $200 million in Nebraska.
d. In 2014 truck drivers sat idle in traffic for 728 million hours, equivalent to 265,000 drivers sitting in their trucks and not moving for an entire year.
e. The best way to address the funding shortfall is to increase and index the Federal fuel tax.

5. Smaller carriers struggle to survive in today's Environment

a. National carriers have eroded personal relationships with national pricing and created a commoditized pricing environment at the expense of service.
b. 3 PLs or National logistics providers have commoditized pricing and compromised regional customer/carrier relationships
c. Logistics providers do not have regulatory costs, asset costs, management costs, or risk
d. National carriers have a lower proportional costs associated with regulation.

e. Small carriers are the first mile and last mile in worldwide freight chain If small carriers can't survive rural America will be at the mercy of a "you will get it when you get it" environment

Mrs. FISCHER. Thank you very much.

Any written testimony that you have will be included into the record.

Now we get to the fun part of the hearing. I'm going to ask a number of questions for you folks, and I really hope you'll have an open conversation with me so that we can really drill down on some of these issues.

And I'd like to begin with you, Director. Could you elaborate on how NDOR is working with the U.S. Department of Transportation to develop a statewide freight plan? What are some of the opportunities and the challenges that you foresee?

Mr. SCHNEWEIS. Sure. So, the FAST Act requires a freight plan be in place in order to get some of the funding. For us it's a first-generation freight plan, so the first time we've done one, and I think it's long overdue for us to have an understanding of the supply chains in our state and understand how the network supports freight movement.

So as a first-generation plan, that's really the approach that I think we're taking to it in terms of trying to establish that priority freight network and understand how goods move across that network. Our partnership with Federal Highway and USDOT is critical as we think about the freight plan and implementation of whatever recommendations come out of that.

I think another piece of it, there are a couple of other things that we're thinking about. We're such an agriculture-heavy state, and our network is so large, so how we can get those goods to market across what starts as our local network, all the way out to the interstate or to the railroad or however it ends up getting to market, understanding that local network and how it feeds in I think is an important piece. And that network is, as you know—— many of our bridges are over 50 years old, and understanding how that all works together is an important part of the freight plan.

The local bridge piece is an important part of it, and then I think just understanding those supply chains work and looking for opportunities to understand how our highway network and other pieces of the multi-modalities can provide better connection, better access, better safety, that's what we're after.

Mrs. FISCHER. Agriculture is the economic driver for the state of Nebraska, so I appreciate you recognizing the importance of setting those priorities to include that.

Have you looked ahead at trying to determine how you're going to make up your group as stakeholders as you look at working on a freight plan for the state? Do you have any kind of outline on who you're going to reach out to, or if it's going to come from the Department or the Administration? Are you going to look for any kinds of grassroots input as well?

Mr. SCHNEWEIS. I think the partnerships that we have —in my view, we have a responsibility as government to reach out to the folks that we're trying to serve, our customers, and that's the people of Nebraska. It's the folks who are delivering the goods on our network. So we have to involve those folks whether they're railroads or shippers, growers. All of these folks need to be involved in our thinking and in our freight plan. So, absolutely.

We don't have a freight advisory council like some states have. That will be a part of this group, of our freight plan at some point. We will engage that sort of group and carry it forward. But it is critical that we include those stakeholders.

Mrs. FISCHER. And as you look at stakeholders, I know you'll be seriously considering this area of the state and local Chambers or local economic development groups. But there are a number of small communities in Nebraska that are truly disconnected. Senator Davis is here today. He represents a lot of those counties that are out there that don't have really a connection. There aren't that many highways even going through.

So how would you try to include them, and what would you say to these areas of the state that are looking at losing population, about their involvement in trying to stimulate any kind of development?

Mr. SCHNEWEIS. Well, we know that transportation plays a role in supporting economic growth, and that means all across the state. So even just as we think about the Build Nebraska Act and some of our capital improvement projects that we're out planning for, we very much believe in getting out into the communities and talking about what's important to the regions. I believe we'll make better decisions in government if we ask people what they think, and that's something that I think has been a piece that we're trying to improve at the Department of Roads. I think it plays a role in everything we do, whether it's our state projects or the freight plans that we're working with USDOT on. So, absolutely, we need to work with those folks and the people that live in Nebraska and that work in these communities and that own these companies. They can help us make better decisions, and so that's what we're trying to do.

Mrs. FISCHER. Well, thank you, and I'd like to once again welcome you to the state. I appreciate the job you're doing and the enthusiasm.

Mr. SCHNEWEIS. Thank you.

Mrs. FISCHER. So, thank you, sir.

Deb, you have always been a tremendous advocate for transportation in Western Nebraska. I mean, I remember meeting you a long time ago about the Heartland Expressway, and you were relentless.

[Laughter.]

Mrs. FISCHER. Which was a good thing.

Would you provide more details for everyone here today regarding the status of the project for the expressway, the timeline and any challenges that you anticipate as the project moves forward?

Ms. COTTIER. Well, I appreciate the length of time that we've all been involved in this. I can remember when there was a group called the Western Nebraska United Chambers of Commerce, and former Senator Joyce Hillman and I sat as Chamber directors on that committee when we actually held a contest to name the Heartland Expressway, so it goes back a year or two.

So that actually began as an effort from the Scottsbluff-Gering area to try to figure out how to better connect our businesses to the front range of Colorado, frankly, and then worked with South Dakota in a joint venture to try to then ultimately connect Rapid City with Denver and all of the communities in-between that wanted to be a part of this process. That includes Alliance, Nebraska. There are folks here from Alliance, from Kimball, from the whole region, and so it's extremely important.

The status of that so far is that we have obviously one of the promises from the state government to connect I–80 to the next town of the largest size, from Kimball to Scottsbluff. It has been four lanes for a number of years. We've gotten several pieces that help move that traffic around and through communities. We're headed east on 26 and 92, about 10 or 12 miles. Eventually that will be four-laned all the way to Highway 385 on what we call the L–62A spur.

Right now, the Department of Roads is in the process of letting bids and doing right-of-way work to try to do the next piece of this, which is from that junction—we call it the Baird Turnoff in general vernacular terms—on U.S. 385 to the city limits of Alliance up to Highway 2. So that will be another very important piece which currently has a lot of traffic, ag traffic and difficulty with seeing around and passing and all of that.

The piece, of course, that is nearest and dearest to my heart is from Alliance through Chadron to the Nebraska-South Dakota state line. Those of you that have come from South Dakota probably know, they have finished their portion of the Heartland Expressway four-lane project, and when you get to the Nebraska state border it goes back to two lanes on the Nebraska side of that imaginary line. That's a visual that we can all see every time we have to go to and from Rapid City, but it really is sort of what we're talking about. It then creates this bottleneck and this traffic hazard, if you will.

So the Heartland Expressway Association, withheld from our partners at the Federal level, and the Nebraska Department of Roads, leading the charge, have actually conducted a number of years ago the Corridor Development and Management Plan, which literally broke the remainder of the Heartland Expressway into four phases to be finished. We are now going to turn dirt on the first of those four remaining phases this coming year.

So I have to say, without the Build Nebraska Act in the Nebraska legislature, we would not have had the wherewithal to convince the Nebraska Department of Roads that that should be a project, and that also allowed us to have better input with the Director's direction to say we need to figure out how to best use that Build Nebraska Act funding. And now with the Transportation Innovation Act, we have even a better opportunity to really plan how those work.

So that's where we are, and we're hopeful that those three remaining phases will be finished in my lifetime, I guess is the way I put it.

Mrs. FISCHER. Do you have any numbers on the direct economic impact that this would have on local communities or that you've even seen in the past when this is opened? And I would ask you and then open it up to other members of the panel if they would like to speak on that.

Ms. COTTIER. In terms of dollars, the best number that we have been able to use, which comes from an official study, which makes it true, of course, is that this investment would bring about a two-to-one payback, if you will. So for every dollar invested in road improvements, we would see a two dollar return in the economics of it.

Interestingly enough, back in the day when the Federal Highway Administration was requiring quarter development and management plans before they would consider earmarking funds, there were not a lot of economic development criteria included in those RFPs that we had those studies done. We fought, and a couple of the members of the Heartland Expressway Association, as well as staff from Ports-to-Plains, fought hard to get some economic development data included in that study that was done. So that's the best number that I have that we use, and Department of Roads may have some other criteria.

Mr. SCHNEWEIS. Well, we are studying it. As we think about our highway investments and our transportation investments in the future, the economic impacts of these investments have to be understood, and that's a layer that we've brought into our prioritization process in the last year. So not only public improvements were stressed but also economic impacts. We also understand that economic impacts vary depending on where you are. Job creation is what we're after. GDP growth is what we're after. But the definition of that and what impact that has on a community varies depending on where we are.

So we're trying to understand what that means, and then we're trying to put the project through some sort of economic screening so that we can help inform our decisions and make better ones. It has always been about engineering, which it should continue to be, largely based on engineering, traffic and safety, these things. But economic impacts, what they mean to communities, that's really how we can make the best decisions with our limited resources.

So we've been working with Deb and her group to try and understand the economic impacts of the Heartland, and certainly it's going to be a heavy factor in our prioritization process.

Mrs. FISCHER. Have you ever seen any studies, or do you plan to look at this on what the impact is? Because it does vary across the state. What the impact is of an interchange in Scottsbluff County compared to what the impact would be of an interchange in more rural areas in the state? Because it is a big difference.

Mr. SCHNEWEIS. Yes. I think you have to understand it not only in terms of job growth and opportunity and those things, but also put it in the context of the situation where you are, the geographic location where you are. A job is not a job is not a job across our state. So understanding that and understanding those differences is critical for us to make smart decisions. It's the Build Nebraska Act, not the Build Eastern Nebraska Act or Build Western Nebraska Act. It's for the whole state.

Mrs. FISCHER. And that was the intent.

Ms. COTTIER. I would point out one thing. In the printed statement that we submitted, there are some great statistics in there about rural economic development and how locating next to an interstate, next to a four lane, next to a two lane, the difference in how those micropolitan areas perform, a nice chart in there that shows that obviously the strongest performance are those on the interstate. The weakest is not even on a four-lane highway. But the improvement that you get by having a four-lane is significant.

And the only other thing I would mention about the criteria is what we have come to realize and what we hope folks understand in Western Nebraska, as I know you do, is that roads are not always based on vehicles traveled. The need for roads out here is every bit as critical as the really urban congested areas, probably more so, because we have so many fewer options. But the number, the count of how many wheels go across a little ticker tape is not as important as how those interact with the types of traffic that's on them.

Mrs. FISCHER. Right. And, Director, would you say that it is still the number-one priority of the Department to look at safety as the first indicator for any expenditure of taxpayer dollars?

Mr. SCHNEWEIS. Yes, absolutely.

Mrs. FISCHER. Thank you.

And did anyone else have anything to add on that?

Mr. OVERMAN. I'd like to give a little bit of historical perspective on what politics does. We all know that's what makes the wheels turn, and you do such a good job of it.

Mrs. FISCHER. Never.

[Laughter.]

Mr. OVERMAN. Statewide and nationally.

But in the early 1990s, I was on the steering committee for transportation and communication for the National League of Cities for 6 years. We made the Nation's priorities to present to Congress. When Deb and I were involved early on with the Heartland Expressway, I met one morning with the Chairman of our committee. His name was Jim Bell from San Jose, California. Over breakfast, on a napkin, I drew the Heartland Expressway, and I said we need some money in the upcoming bill. He said let me talk to Norm Manetta, who was Chairman of the Committee. He said Mr. Manetta is on his honeymoon in Florida, but he's a good friend, I'm going to call him. He called him on his honeymoon.

To make a long story short, when the bill came out, we had $29.6 million in the highway bill, of which half was to go to South Dakota and half to Nebraska. I will tell you, it would never have happened if I had not been there, just like you were there now to make things happen. That was the first money ever received by the state of Nebraska for the Heartland Expressway.

Mrs. FISCHER. Good job.

Mr. Holliday, if we could talk a little bit about some concerns that you expressed in your written testimony, and it was with regard to some trucking regulations. I know that you said that you can handle regulations, you just need to have that consistency that's out there. But in your testimony you mentioned the FMCSA, the 2013 revisions to longstanding hours of service regulations. You mentioned that briefly again in your testimony here.

The changes essentially mandated that drivers sleep at night, and it caused severe disruptions to our nation's supply chain and threatened the safety on our roads, I think, by pushing more trucks out on the road during the morning commutes that we saw.

So given the supply chain that we have, and time is money, what's the cost of that regulatory uncertainty that we see in Washington now on your business? What's the cost, and I guess what does Washington need to do?

Mr. HOLLIDAY. Sure. I appreciate your question. To put down a dollar figure, I can't give that to you today. I could certainly do the research on that. But for us, in the LTL environment especially, we have to travel at night because our trucks are consolidating shipments in places like Kansas City, Denver, Chicago, Des Moines during the day. They bring those back to the terminal. That freight moves at night so that it's in the communities where those consignees are the next morning. That's not an option.

As far as our long haul, our 48-state operation, I would just as soon have our drivers operate during the daytime, daylight hours only, for obvious safety reasons. We'd like for them to go on the same roads all the time. That also is impossible.

So for us, especially with an LTL or regional LTL operation like we are, we can adjust to hours of service rule changes a lot easier than a truckload carrier, and those truckload carriers—and we have a truckload division, but it's smaller. But a lot of those truckload carriers are the very carriers that Mr. Kelley is relying on at times to get product to the end user. The hours of service limit you to a time on the road that I believe is safe and I think has been studied to be safe, but there are times when it requires a driver to stop when he may be 100 miles from destination. So the cost of that is another day to the consignee before they can get the product to the carrier, because that carrier then has to secure a backhaul, so you may miss out. If you can't unload until a Friday afternoon, it means that truck is going to sit wherever he's at over the weekend until he can get a backhaul, or he's going to deadhead home, which means zero revenue to that truck.

So if you hold the truck, you've just taken a capacity situation that's already tight throughout the Nation and you've compounded it.

Mrs. FISCHER. When you work with businesses in delivering product, do you hear very often from businesses that they're concerned with the amount of time it may take to get that product—or especially I think with commodities, with ag commodities, there is a certain time limit you have to get them delivered. But do you hear from businesses where they're worried about it, they complain about it, they question it? Does it add cost to them, too?

Mr. HOLLIDAY. Every day. You know, it's never there soon enough, especially in the LTL environment, once again, which is the majority of our revenue stream. We have customers that, because of economics today—and this changed probably 10 or 15 years ago. What you used to hear is these companies operating on a just-in-time mode. That was something for the bigger companies or warehousing. It's across the board now.

People don't warehouse stock like they used to. They have to have the flexibility of a carrier that can literally get freight from Kansas City to Scottsbluff overnight, Chicago to Denver in 2 days, and they rely heavily on that because their inventory is so low that if a customer comes in and needs something or a customer has a furnace go out, they may not have that in stock. We hear that all the time.

Truckload and commodities are somewhat, actually a little easier than it is in the LTL environment. If Kelley Bean calls us and tells us that they're going to have three loads out of their Morel facility that needs to be in Houston, that's normally a week ahead of time that they can offer us that information, minimum, and we can adjust to that quickly. But in the LTL environment, and obviously the expedited environment, that becomes a lot harder to do.

Mrs. FISCHER. Thank you very much.

Mr. Overman, what's the importance of a cargo business at the airport? We talk about the passenger business, and the cycles go up and down and you're always threatened with losing that funding for the essential air service, which I give Congressman Smith a round of thanks there. He has been a tireless advocate for essential air service for our rural communities. But what's the importance of cargo service, not just at the airport out here but all over?

Mr. OVERMAN. The cargo services are tremendously important to people in the corridor from all these companies all over the United States, and they want tomorrow service. They get it through the airport, part of it through FedEx and UPS. Both have planes come in every day. And as I stated earlier, FedEx goes out 150 miles in every direction from here. We had one route that goes to Hyannis from here, and it comes in on a plane. Some comes in on a truck. We just built a new truck depot at the airport and, of course, we already had the air there.

But at Christmastime, and maybe Thanksgiving, some times like that, they may have to send in extra airplanes because they have so much coming in from—whether it be Amazon or some other major company across the country, and they want it overnight. We're an overnight society now, and a lot of it comes in by air. The ground transportation is there as well, and the UPS doesn't go out quite as far. They go out about 120 miles, generally speaking. They have a lot of trucks all over the panhandle of Nebraska and Eastern Wyoming, and it all comes out of that airport.

Mrs. FISCHER. The second hearing that I had last year as Chairman of the Subcommittee, it was on our ports, and it happened to coincide with the disruption that we were seeing in the West Coast ports at the time. We have three folks on here that I think were affected by that, our airports, our rail, and our trucks. I had a lot of people say to me you're a senator from Nebraska, why are you doing this?

Well, first of all, it's under the jurisdiction of our committee. But I think it really drove home that our ports affect everyone in this country.

Would any of you like to just briefly speak to that?

Mr. FREEMAN. Just to jump in from a railroad perspective, just to give you an idea about the ports of Southern California, we typically operate 50-plus trains a week out of the ports of L.A. and Long Beach. We have similar lesser-scale dynamics at the port of Oakland, the ports in Seattle and Tacoma up in the Pacific Northwest.

When we went through the dynamics a year ago of what was going on out there and the impact, the numbers dropped. There clearly were many, many less containers of stuff, and you could pick your stuff, from furniture to electronics to tennis shoes or whatever, that were being moved and therefore, obviously, available for consumption at any point in the U.S., which is basically where that stuff moves over time.

Clearly, when it was all settled out, it came back to normal. There is today a little bit of a downturn in terms of what's actually coming through the ports given some of the world economy situations that are out there and things of that sort. But when you look at the sheer number of containers, when I talk about 50 trains, we average anywhere from 250 to 275 boxes per train to a high number of up around 350 on some of the longer trains we'll run. So clearly you'll understand how much stuff comes through the ports that ends up at any place in the U.S., and frankly is even bridged to other countries in some of the bridge operations that work across the U.S. as part of their transportation plan.

Mrs. FISCHER. Any other comments on that?

Mr. HOLLIDAY. Yes. I think from a trucking perspective—and I don't do a lot of business out in California, but trucks have wheels. As I spoke about earlier, just 13,500 carriers in the state of Nebraska alone, most of those guys are small carriers. They have truck payments, they have overhead. They can't afford to have a truck sitting. So when they hear that there are problems with a shipping location, some of that is reacting as quick as a storm, but especially in the situation in California, they don't send the trucks there because they know there's not going to be the freight that they need.

We see some of that with seasonality out of California with produce. When it's the high shipping season for produce, we're offered a lot more loads of steel and things like that because we don't have any refrigerated trailers. But a lot of the carriers out there will switch to refrigerated when produce season comes into play.

Just here again, it shows that smaller carriers need to be very agile and very diversified to stay in today's world. I often say you'll see some of our t-shirts on a little league team here in Scottsbluff, but you'll never see one of my ads on the Super Bowl. We are competing with carriers that have ads on the Super Bowl. So their resources allow them, I guess, to go through slowdowns regionally a little bit easier than what we can. It allows them perhaps some engineers taking a look at predicting things that we are sometimes not as good at doing. So we have to be as agile as we can on any given day and really pay attention.

I think that from a capacity standpoint, it once again compounds what's happening here in rural Nebraska when trucks are diverted to areas where the grass is greener for a short period of time.

Mrs. FISCHER. My question you responded to on the ports with things coming in and being able to transport that. What about things going out? What about exports? When you see a shutdown on the ports, I mean, obviously not only is there a backlog there that we can't get things out, but have you seen an impact on our markets now? Have we lost export partners around the world because of the congestion that happened in the shutdown we saw on the West Coast?

I guess I'll start with you, Mr. Kelley, because I hear a lot about it from ag producers, about issues that they had really with product just rotting. Has that affected you, and has it affected your export dealings now?

Mr. KELLEY. I think Mr. Freeman alluded to it. The railroad has a huge responsibility, and we're a small part of that. But we rely totally on the railroad in most export situations, using trucking as a secondary. Because, as you said, railroad has the value, and we appreciate that and recognize that.

I want to emphasize that my speech sounded like I was picking on the BN, and I didn't mean that, to do that. I had some help writing my speech and——

Mrs. FISCHER. Railroads get used to being——

Mr. FREEMAN. Thick skin. Not to worry.

[Laughter.]

Mr. FREEMAN. I think, just to pile on or add to the point of your question on the export side, clearly the flows through the ports of exports—as an example, we run traffic from Omaha in a modal facility there that goes to the port. We do assorted different things from all parts of the U.S. headed for the West Coast in various exports. There is no doubt that it has impact on export flows of agricultural commodities or industrial equipment or whatever. There are clearly impacts.

Mrs. FISCHER. Have we lost partners?

Mr. FREEMAN. I don't know that I'm in a position to be able to talk about lost partners, but I hear——

Mrs. FISCHER. Have you seen a decrease in moving products?

Mr. FREEMAN. Over time, there are clearly impacts by port flows on the movement of products, recognizing that the strength of the dollar and other economic issues are part of the equation as well. But there is no doubt that the effectiveness of port operations working in concert with truckers, the railroads, et cetera, is a big part of economic growth in Nebraska, the U.S. as a whole, and over time we have to do things such as, as an example, some of the FAST projects with freight corridors, intermodal connectors, things of that sort, that clearly are and should be a big part of our economic future going forward.

Mr. KELLEY. I thank you, Mr. Freeman.

We saw a tremendous loss of business as a result—and I'm talking about the dry edible bean business, and we're only a part of that. But certainly Western Nebraska is one of the leaders in exports. And politics is involved, world peace is involved, because we used to export 50 percent of our Great Northerns worldwide, and that doesn't happen anymore. A lot of it has to do with the bean. Consumers have theoretically been at war with us through the problems with ISIS and the different things that have happened overseas.

There are so many things that affect us as Americans. But the ports themselves, if the Administration in Washington would have reacted to the strike, which they didn't call it a strike—they played around with the words, because if they called it a strike, the President could have reacted and played with that. They played it to the tune of billions and billions of U.S. dollars were lost in that process, while people were asking for a raise on the Coast and not doing their job. It's an economic impact that we'll be suffering for generations.

We saw traffic flow go from the West Coast to the ports of Houston, and then the ports of Houston couldn't handle it because you've got to predict, you've got to build railroads and you've got to build infrastructure. You have to have employees and you have to have trucks, and all these things just don't happen overnight.

But in our opinion, the problem started when our Administration, primarily the White House, did not react to the seriousness of the ports being shut down on the West Coast. It rippled for months and it cost our economy billions of dollars, and that can be proven. It was probably in the trillions, if I had to guess.

Our country relies on flow of product, and we're such a huge, huge economy, and so spread out, that it's so important that the government, especially the White House, reacts to situations and doesn't try to placate unions. That's exactly what was going on.

Mrs. FISCHER. Yes. How do we gain back that lost market share? I want to focus on the transportation part. There are a lot of other issues out there to deal with when we talk about this, but how do we gain that back through transportation?

Mr. FREEMAN. I think your earlier question to Director Schneweis around inputs from assorted parties and trying to understand, first off, what are the requirements that businesses, customers, people have in terms of what has to move and what has to flow, and taking those inputs, be it highway, be it rail, be it ports, be it water, rivers, whatever it happens to be, put those together and have a freight policy, if you will, that clearly the FAST Act is a step in the right direction for some number of years into the future. We'll see what comes about with other opportunities that are out there.

But I think that framework is essentially taken to a bigger scale as we try to figure out what will be the growth in our state, in our country, the world as a whole, and what markets can people play in, Mr. Kelley with the bean market, others who obviously are in different businesses and things of that sort. We will need to understand what's out there.

We'll need to make sure that the landscape amongst rail and water and trucks and highway are essentially managed effectively and appropriately. We'll need to have an effective policy around permitting and historic preservation activities that is timely and consistent and, to some degree, effective, if you will, around understanding that there has to be decisions made, what are we going to build, what are we going to be part of for the overall system of freight transportation going forward.

And I think starting with the comment that he provided in response to your question, I'm taking that to a clearly larger scale, be it local, state, Federal, international, I think is the direction we have to go.

Mrs. FISCHER. We're going to put a lot of pressure on you, Director, and the NDOR to come up with a good stakeholder council, then, right?

Mr. SCHNEWEIS. It's critical. You spoke to business and how important it is that you're nimble and flexible. That's not something you think of when you think of government policy. So it's on us to be able to make sure that we have a good understanding of supply chains and opportunities and can react quickly to the speed of business. I think it's a challenge.

Then I think technology is changing so fast, and we have to be able to understand as government and in partnership with the private sector how to invest in things like truck platooning. These things are being studied, do we need to have staging opportunities here in Nebraska to be able to experiment, research, and take advantage of those things. I think if we're not doing it and we're not thinking forward, then we are losing opportunities to grow.

Mrs. FISCHER. Great. Thank you.

Don, I wanted to get back to you on the FAA bill. You had talked about the importance of the essential service and keeping the funding here for Scottsbluff. Can you talk about what that means to a rural community like Scottsbluff, and not just this community but the region? If I could ask you, do you know how the airport is going to use those dollars to update infrastructure?

Mr. OVERMAN. Well, in the past, of course, notwithstanding the bank crisis of 2008 and 9/11 and all the things that have happened since then, and the change in the law for pilots going from 500 hours to 1,500, it has tremendously affected us to the effect that at the beginning of 2013 Great Lakes had 300 pilots, and at the end of 2013 they had 78. That speaks to why service is so bad, not only here but all across the country, but especially with the rural airports.

When they get off the airplane, the first thing they see is the monument, and they see that this is a vibrant community. It's the first impression, whether it's medical people coming in here or business people coming in here to set up a new business. If you look out the front door of this building, across the street there's about a $35 million building sitting over there. It would never be there if we didn't have an airport. I mean, I was involved in bringing the initial company here, and they would not have been here.

There's another one down on the corner, across from the YMCA, which now houses state offices. But it was a KN energy company that we got through negotiations with myself and Mr. Ruschall, who many of us know and respect, in the background. Without the city manager even knowing it, we were negotiating to get them to move their corporate headquarters from Hastings to Scottsbluff.

When the smoke cleared, they moved a great number of their people out of Hastings to Scottsbluff. Larry Hall was the President at that time, and he said that we'd never have done it if we didn't have an airport.

Being a past President of Nebraska Diplomats, of course, I understand how all the cities try to get more business in their cities. We just have to have that airport from an economic development standpoint. We just would not be able to do it.

Now, you asked where we're going to spend the money. Well, this year we had enough money carried over. We can carry money over for 2 years, and we needed a new snow blower because we had to keep the runways clear for the planes to land from here, and also from DIA. I think we got $800-and-some-thousand dollars. When you get a new snowplow as big as they are, you've got to build a new building. So we needed money this year, and we got it from discretionary funds from the DOT, which comes from other airports that don't use all their money.

We're faced with, in the next three to 4 years, our plan that the Department of Transportation suggested—actually mandates that we do—we've got to re-do both runways. The estimated cost is $20 million. The million dollars we get cannot be used to run the airport. It can only be used for safety purposes, and that's what we used it for, for all the years. When the airport authority took over, I think in 2004 or something like that, since then we have added $23 million of improvements to that airport, and most of that came from Federal funding, the million dollars and/or special projects that we were able to get back. They don't happen very often anymore.

Anyway, we need that money. If you look at it right now, we're faced with $20 million. If we get $1 million and you can carry it over 2 years, you've got $2 million. Where are you going to get the other $18 million? Not only that, but the DOT in their ultimate wisdom recently, last year, we're supposed to get 98 percent of the money, and we have to pay 10 percent for any safety purpose.

They changed the rules a little bit, and now they only give us 80 percent up front, and then they don't give us the other 10 percent until the project is completed by the DOT and signed off. So we become their banker for 10 percent. It's a mess, and it presents terrible problems to all the airports just with that one change.

But the money will be used, as I've said, probably the next project is going to be airport runway improvement.

Mrs. FISCHER. I know you've worked on improving that airport for many, many years, and I understand that a new terminal is going to be named in your honor. Is that correct?

Mr. OVERMAN. It was in 2004.

Mrs. FISCHER. Oh. I'm slow.

Mr. OVERMAN. Or 2005.

Mrs. FISCHER. OK.

Mr. OVERMAN. But it was. I had a brother-in-law that came to visit us from Missouri. A couple of months later my wife called and said they were going to name that airport the Donald A. Overman Terminal. And he said I didn't know he was sick.

[Laughter.]

Mrs. FISCHER. Thank you.

Mr. Holliday, you mentioned the driver shortage. I worked on language in the highway bill hoping to allow younger drivers to be able to drive interstate, between states, which they cannot currently do. Even though we have 18 and 19-year-olds driving trucks in Nebraska, they can't cross from Omaha, the bridge in the Council Bluffs. That's an issue that I think we need to keep presenting out there.

I had some people say they didn't want to be on the road next to an 18-year-old driver, and I said, well, you already are. If you drive from San Diego to San Francisco, you're on the road with an 18-year-old truck driver. These are professional people. They're doing their job.

In the bill we were able to get some language in that would allow veterans, younger veterans to be able to drive interstate, and hopefully we'll be able to have some data that we can work with because there haven't been studies on that.

But can you tell me how your company is working to meet that driver shortage challenge that's out there? Have you felt any impact from the shortage?

Mr. HOLLIDAY. Have I felt any? Absolutely. I will say it has eased a little bit with some of the layoffs from some of the industries around us. We've had some drivers show up, especially out here in Western Nebraska, that are going back to truck driving, which is something they used to do.

But we try everything. We use social media, Facebook. We have a full-time person in our office that does nothing but recruit because we need a vast array of different types of drivers. We need drivers that will go to 48 states over the road. We need city pickup and delivery drivers that will stay in Omaha or Kansas City. And we have flatbed drivers. All of those take a special skill set.

One thing that I did read in your proposal is that they have to have 30 hours of instruction, which I think is good. I think after 30 hours you're going to be prepared. I did notice that there's no classroom time specified presently, but I think most companies, including ours, we have probably eight hours' worth of classroom instruction that we mandate from them anyhow. So by the time you have a driver out there in a truck for 30 hours, he's going to encounter a lot of things; certainly not everything. Some weather-related issues may be, depending on when that driver trains, something that he hasn't encountered, but it's going to prepare him.

Going back to ancient history, the first time I drove a truck across the state I was 18 years old and my cocker spaniel and I went to Omaha and back. You know, times were different then. But what we have found in the past, especially in rural Nebraska, is some of our best drivers, they're kids who started driving a truck at 16 years old on their dad's farm. It may be a beet truck, what we call a straight truck. But they just have that skill set to take somebody that says I'm going to get into truck driving because I hear they can make $30,000 to $50,000 a year, and they show up at truck driving school. I'd rather have that 18-year-old farm kid than perhaps a 25 to 28-year-old guy that's gone through a truck driving school.

Now, truck driving schools are good. There are some good, some better. But for us, the 30 hours I think is a good move. I think that's going to be adequate training. I don't have a lot of fear of that because all good companies and all companies that are responsible to the health of the public—my family is out there on those roads, too. I've seen what can happen if it's not done right. Responsible companies are not going to let a driver, regardless of their age, 18 or 48, get behind the wheel of their truck and drive down the road because there's too much at stake.

Once again, I stress responsible companies. There are some companies that are in such need of drivers right now that, unfortunately, I think that maybe their standards aren't quite the same.

Mrs. FISCHER. Thank you.

Mr. Freeman, I have a number of questions for you on some rail issues that maybe a lot of folks in the audience here haven't heard that much about, but they're very newsworthy on the Federal level, and you know what's coming here.

From what I understand, BNSF is on schedule to be one of the first Class I railroads to fully implement its positive train control system. Can you share some of the lessons that your railroad has learned as that implementation has progressed, particularly any technical issues, interoperability challenges, workforce training issues that you've seen in trying to get this implemented?

Mr. FREEMAN. Sure. Just to sort of set a little bit of a foundation context in terms of what's going on, we are well down the road of essentially what will be a $2 billion project over the better part of 10 years from the time we started when the mandate was first developed back in the 2008 timeframe. We are, as you pointed out with your comment, fully expecting to be installed by the end of 2018, per the mandate. At present, we are at this point—just numbers—14 subdivisions out of 80-ish that are mandated under the law, already turned on, functional and operating. We are running approximately 600 trains a week with PTC right now, various parts of our network, and expect that to continue growing. We will add three more subdivisions between now and the end of May, and we'll be on essentially a three to five subdivisions per month plan going forward until we're completed.

From a learning standpoint, I guess I would offer several different parts of an answer. First of all, from a software/hardware standpoint, I think we would admit BNSF, and I frankly think our industry colleagues would be the same—it is a very hard project. It is essentially new technology from a software standpoint. It is a monstrous installation/construction project in terms of what has to go in, not only in terms of the back office for servers and technology workstation kind of stuff, but also with communications towers and all the various pieces and parts that have to be in place with our signal system out in the field, and it is a significant undertaking by our mechanical team working to have the locomotives modified such that our roughly 5,000 to 5,500 locomotives will be fully equipped to run with PTC as we go forward into the future.

So a large project, lots and lots of things going on in different parts of our world.

From a people standpoint, we clearly are well equipped in terms of people to install signal telecomm. We use a small contractor group to supplement our own folks, but we fully believe that we are well down the road in terms of the capabilities of those folks. They are moving forward on plan. Essentially, our construction activities, if you will, in the field on the mandated subdivisions will be done by the end of 2017—I'm sorry, end of 2016 or early 2017. In fact, we'll have some additional subs that we are adding to our project, activities ongoing during the course of 2017.

From a train operations standpoint, we have seen what I'll call strong success in terms of work with our train crews. I daresay that if I wanted to put out a shout-out to our Brotherhood of Locomotive Engineers and Trainmen members, and our smart TD, the old UTU members, engineers and conductors have been marvelously supportive in terms of, one, learning; and two, serving as mentors and trainers for their fellow employees as we startup the systems on different parts of the network. That set of activities will be growing as we move forward with many, many more subdivisions over the next couple of years.

So that part is clearly a big deal as well for us, and I think has been very positive for us in terms of not only what's been accomplished in the project but, frankly, relationships with our employees and union and their involvement in getting the process going, getting the system up and running.

From an overall standpoint, I think going forward you mentioned interoperability. We are scheduled in the second quarter here in the next couple of months to start interoperability testing with the Union Pacific and their locomotives, and they with ours. We have not yet planned or scheduled yet with the CSX, but that will have to take place over time in order to set up an interoperable system, if you will. We handle trains and locomotives across the different carriers, so UP will run with our locomotives and vice versa and that sort of thing.

It's a key part for us, still a significant question, but we feel right now that we are on the right path to getting that accomplished.

Aside from that, as I said, hard work, still a lot of things to get done, but we are very confident that we are on plan for year-end 2018.

Mrs. FISCHER. OK. Thank you. I understand that BNSF has conducted a pilot program for the ECP brakes, which are the electronically controlled pneumatic brakes. You've done that on a limited number of cold trains; is that correct?

Mr. FREEMAN. Yes. I'm sorry. I thought——

Mrs. FISCHER. You were banging the table.

Mr. FREEMAN. I'm sorry.

Mrs. FISCHER. That's OK.

Mr. FREEMAN. My fault. Yes. At this point, there are two trains——

Mrs. FISCHER. For the record, he was not banging the table in any kind of show of frustration.

[Laughter.]

Mr. FREEMAN. No, no. No meaning of emphasis or frustration.

Mrs. FISCHER. Exactly. But what's been the result of that pilot program?

Mr. FREEMAN. There are presently two trains operating in BNSF, and as I reported earlier in my opening comments, we are essentially roughly 1,200 trains on the network in any given time with today's business level. So it's a very, very small subset of trains. They are both cold sets, so they are operating from the Powder River Basin to a particular power plant in the Southeast, or two different power plants in the Southeast, same company.

At this point I would tell you that our results would say that there are clearly reliability issues with the ECP systems. We continue to see service interruptions on our network where the reliability issues on those two trains are multipliers of what we see on normal cold sets of normal freight trains. In other words, 2X, 3X, 5X in terms of actual outages given the technology that's on the train. We also see in terms of the fixes to those service interruptions—that is to say, trying to deal with the reliability issues—that it takes longer to deal with those systems than it does with routine service interruptions on today's braking technology, if you will.

Just to give you an idea, these systems have a big plug connector type piece of the technology, and it is almost like, to take a little bit of liberty, if the Christmas light goes out on your string of lights on your tree or on your home, you almost have to pull out light bulbs to try to figure out where is the disconnect and what is causing the issue.

So overall reliability, and then the ability to fix the issue are clearly concerns of ours.

All of that said, from a train operating standpoint, I don't know that I necessarily can speak to exactly how the analytics were done relative to some of the safety statements that have been made. I don't think we necessarily see a difference in numbers of cars being derailed and that sort of thing. We haven't had the incidents to make those sort of assessments. So we would be concerned with those sort of impacts.

I think overall we would say significant questions on reliability, significant questions working with them, and then I think we would compound that with some cost dynamics that we view are high relative to the potential benefits as we see them in operation.

Mrs. FISCHER. In the FAST Act, you know we included in that a requirement for the GAO to have a study on the data and the methodology that underlies the Department of Transportation rule that requires the ECP brakes on certain unit trains, and the FAST Act also required real-world testing of the mandate from the National Academies in order to contrive the possible safety benefits of the methodology.

So based on your experience, and you referred to this in your previous comments, but I would just like to know your insights that you would share to inform the GAO study and the Academies' evaluation.

Mr. FREEMAN. I think I would, in response to your question, essentially repeat some of my comments relative to what we are seeing relative to the issues and the specifics of those issues. I think we would look forward to the opportunity to, as a team—our mechanical group that has to deal with the issues, the locomotives that are critical to the operation of ECP, the cars and that sort of thing—I think we would look forward with that group, as well as our operating group, to be part of a study and be part of providing feedback and some of our experiences as part of the study going forward.

Mrs. FISCHER. Do you believe that the real-world testing is needed instead of data that is brought about based on modeling done by the FRA?

Mr. FREEMAN. I would not want to push aside modeling, and I'm not aware of the models that are being used by the various agencies and entities that are part of the study. I clearly think we should include everything in the conversation, but that the real-world data of what's being assessed over time have been party to either as the car owners or as the railroads that are operating these types of equipment. We clearly have something to offer, and we would want to be part of that, but I would not want to necessarily shove aside the modeling as something to look at.

Mrs. FISCHER. Thank you.

This question is for the entire panel. While we recognize the need for consistency in our lives, I've heard from many Nebraskans all around this state about over-regulation from Washington, and that is one of their major concerns. As I said in my opening statement, we passed language in the FAST Act to make the regulatory process more transparent. I think that was of utmost importance.

So to build on that, I'm interested in hearing about how these regulations affect your work, if any of you would like to comment on that, if you think of regulations and what you have to change or basically just how does it affect what you do.

Director, I'm going to start with you because my office has worked with the Department of Roads on a number of items with the categorical exclusions and environmental impact statements. Would you like to talk about that a little bit?

Mr. SCHNEWEIS. Thank you for the support you've given the Department.

Mrs. FISCHER. No, thank you for all the information you've shared with us.

Mr. SCHNEWEIS. Regulations and accommodating regulations are a huge part of our delivery timeframe. It takes eight to ten years sometimes to deliver on a project, especially when we're talking about a new corridor or going from two to four lanes, and a lot of that is due to regulation.

We've seen a growth in the number of regulations, and we don't question the intent. I think what we question is the level of risk sometimes. We don't necessarily do a good job, I think, with our regulators assessing risk when it comes to whether or not to delay or whether or not to reassess or whether or not to continue working on the regulatory piece. That's something that we talk a lot about with our Federal partners to try and assess the true risks of the issues that we're talking about.

I talk a lot about flexibility, and I want flexibility in the rule because we understand the rule is there for a good reason, and we need to understand that intent and then assess the risk of whether or not we're going to have any issues with that intent. So I want the flexibility to be able to understand and appropriately assess risk from project to project. But we also need consistency. We need things to be the same in every state. So I want the flexibility consistently, and I know that's almost impossible. We're asking for two things that are diametrically opposed to each other, but I think it's important. It's something that we have been talking a lot about with all of our Federal partners.

A partnership is always—if you know the people and you trust the people that you're being regulated by, I think you have a lot of opportunity to make progress in these areas. So that's another area for us, trying to build that trust up so they trust us and we trust them, and it takes time to do that. It's a continuous challenge for us.

Mrs. FISCHER. Thank you.

Ms. COTTIER. I don't think it's always just about regulations that either a Federal agency has perhaps taken advantage of or is pushing a little more than others, but there are also items relative to road construction that we hear anecdotally from people, like why on earth do you have to have this gigantic engineered whatever you've done when a simple corridor overpass or whatever would do. So the frustration and part of the challenge that we have as part of the Heartland Expressway Association is trying to educate the public, educate even our elected officials.

We had a conversation with Congressman Smith about why is this built the way it is. We could say, well, because Roads said it had to be, or we could say because engineering-wise it needs this. So there's a high level of knowledge that has to be gained either by the people who are paying for it or, at the very least, those elected officials and those of us who are advocating for it to be able to share that information. I think it's really important. We don't want to muddy the waters of the United States, and we don't want to impact particular animals any more than anyone else does, but we also need to understand what it takes to have a safe road as well. So, two pieces, the environmental stuff and the engineering stuff.

Mrs. FISCHER. Thank you.

Anyone else?

Mr. FREEMAN. I think from a railroad standpoint, I think we would look at a couple of different things. First off, the oversight relative to, if you will, the ability to do public-private partnerships, the things that are needed and frankly have to happen if we're going to have economic growth in Nebraska, the U.S. as a whole. There's a framework that's set up that clearly has moved us forward in terms of where we are today relative to economic growth, to being able to do the highway/rail interfaces, the intermodal connectors, things of that sort that are clearly going to be needed going forward.

I think the Act has also provided for us some positive in terms of the conflicts of highway and railroad relative to road crossing interactions and that sort of thing. There are 24,000 crossings on the BNSF alone, public and private, not to mention pedestrian crossings and overpasses and underpasses that we deal with, and other interactions and that sort of thing. Those dynamics are clearly something we need to be working on, and that's part of FAST and some of the things that are going on forward.

So there's a safety piece. There's an economic dynamic that we clearly want to be part of. I think the other side for us, and I mentioned in my earlier comments about the ability to generate growth, working in concert with customers and with other modes of transportation to facilitate the move of goods and freight and pieces and parts of whatever is moving, agricultural goods and things of that sort. Having a consistent, timely process around permitting and those kind of dynamics, and doing anything you can do to make that a better situation than where we are today is a plus.

To the point that Ms. Cottier made relative to muddy waters and that sort of thing, we want to do stuff that is helpful for the overall system of business, but at the same time we also recognize that there is an effective environmental and economic process that needs to take place, and we want to be part of that, and I think this has taken another step of improvement in that world.

Mrs. FISCHER. Great.

With that, I would like to thank the panel for being here today. I really appreciate the information that you have provided to the

Committee. I appreciate the extent of the conversation that we've been able to have. Thank you very much.

I would also like to thank members of the community for coming and sharing a Senate hearing here in the state of Nebraska. It's important that you are here as well.

For the record, I would say that the hearing record will remain open for 2 weeks. During this time, Senators are asked to submit any questions for the record. Upon receipt, the witnesses are requested to submit their written answers to the Committee as soon as possible.

Again, I thank you, and the hearing is adjourned.

[Whereupon, at 11:55 a.m., the hearing was adjourned.]

A P P E N D I X

ADDENDUM TO STATEMENT OF DEB COTTIER ON BEHALF OF NEBRASKA NORTHWEST DEVELOPMENT CORPORATION, A MEMBER OF THE HEARTLAND EXPRESSWAY ASSOCIATION AND THE PORTS-TO-PLAINS ALLIANCE

Chairwoman Fischer—Honored members of the Senate Committee on Commerce, Science and Transportation, Again, I would like to thank you for the opportunity to submit an additional statement for the record in response to your question regarding economic impacts of rural freight corridors.

For the record, my name is Deb Cottier, Executive Director of Nebraska Northwest Development Corporation and a member of the Board of Directors for the Heartland Expressway Association, a member of the Ports-to-Plains Alliance.

This information is gleaned from two Corridor Development and Management Plans that provided a Benefit Cost Analysis for various states including Nebraska, Texas, Oklahoma, New Mexico and the southern portion of Colorado. In October 2014, the Nebraska Department of Roads issued the Heartland Expressway Corridor Development and Management Plan. This Heartland Expressway Corridor Development and Management Plan (HECDMP) is focused on the portion of the Heartland Expressway within the State of Nebraska. The HECDMP was prepared in compliance with Section 1118(d) of TEA–21 which is similar to the work previously completed for the Port to Plains corridor in 2005. The Ports-to-Plains Corridor Development and Management Plan (PTPCDMP) was published in 2005 complying with the same Section 1118(d) of TEA–21. The PTPCDMP covered the multi-state corridor including Texas, Oklahoma, New Mexico and the southern portion of Colorado. This Plan was completed in partnership between the states of Colorado, New Mexico, Oklahoma, and Texas. At the top of the next page is a graphic showing the entire Ports-to-Plains Corridor including the High Priority Corridors of Ports-to-Plains, Heartland Expressway and Theodore Roosevelt Expressway. These studies did not directly include the portions of the Heartland Expressway in Colorado, Wyoming and South Dakota or any of the Theodore Roosevelt Expressway in South Dakota, North Dakota or Montana.

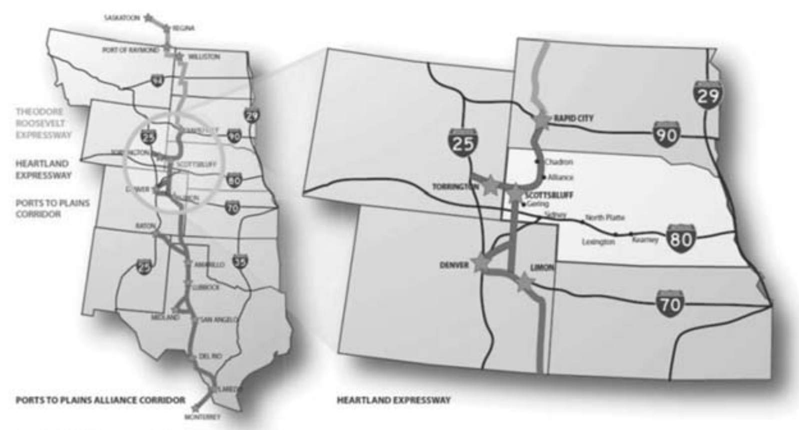

Figure 1.1- The Ports to Plains Alliance Corridor

Ports-to-Plains Alliance Corridor Development and Management Plan

Of the two Corridor Development and Management Plans, the PTPCDMP provided significantly more specific economic impact data. In the section below on the

HECDMP, the reasons for this will be explained. The PTPCDMP provided a Benefit Cost Analysis for several elements that improve the transportation network's ability to move people and goods. Nearly 1,400 miles long, the corridor consisted of 511 miles of 4- to 6-lane roadway, 755 miles of 2-lane roadway, and 113 miles of roadway in metropolitan areas. The Ports to Plains Corridor includes the following construction elements:

- Widening 755 miles of 2-lane roads to 4-lane divided roads;
- Constructing 15 relief routes around larger towns;
- Adding amenities needed by commercial vehicle operators;
- Improving or constructing connective interchanges;
- Improving or constructing overpasses for railroad crossings;
- Replacing obsolete or deficient bridges;
- Installing corridor-specific signs; and
- Integrating an intelligent transportation system.

In the PTPCDMP there were two major sections addressing the benefit of the highway expansion construction elements described above: Transportation User Benefits and Economic Benefits. Transportation User Benefits addressed the historical engineering basis for evaluating infrastructure improvements: travel time savings, vehicle operating cost savings, and savings associated with increased safety; that is, crashes, including property damage, injuries, and fatalities that are avoided. Using these criteria, the PTPCDMP showed the total Transportation User Benefits as shown in the table below.

Summary of Transportation User Benefits

User Benefit	Benefits (Millions of 2004 Dollars)	Benefits (Millions of 2004 Dollars @ 7%)
Safety	$381.2	$114.3
Vehicle Travel Time	$541.9	$151.5
Vehicle Operation Cost	–$11.1	–$3.1
Total	$912.0	$262.7

Source: AECOM Consult, Inc.

Using these criteria only, the multi-state Ports-to-Plains Corridor in the four-state region would not have met the Benefit Cost Analysis threshold required for justification. It was the analysis of the economic benefits that justified the improvements to the Corridor and that economic analysis identified four potential sources of economic benefits. As a result the total economic benefits measured by income to residents would exceed the project cost by a ratio of 3.15.

The economic benefits analyzed include construction benefits, roadside services benefits, increased manufacturing and distribution benefits, tourism benefits from seasonal travel, and the fiscal benefits attributable to the expansion of this economic base.

Construction Benefits: These are one-time benefits that stem from the construction work needed to improve the existing road.

Roadside Service Benefits: The improved road will attract more travelers, increasing the spending at roadside establishments. The roadside service benefits analysis examines the hiring and associated wage and salary gains generated to meet this increased demand.

Manufacturing and Distribution Benefits: Given its southern terminus at the Port of Laredo, Texas and the Corridor's significance as an international trade route, much of the economic development potential of the Corridor stems from economic activity related to North American Free Trade Agreement (NAFTA) trade, namely manufacturing and distribution activities. This analysis projects the potential growth in these industries that would occur if development unfolds as it has along other more established NAFTA trade routes in the region.

Tourism: Winter seasonal migration is a growth industry in southern Texas and the Corridor lies along a feasible route for travelers from the Western U.S. The improved road opens up access to this travel market, permitting Ports to Plains communities to compete for a small share of this rapidly growing market. The expenditures made by these travelers generate demand in the local economy for food, entertainment, health and travel services.

The economic benefit from the 20-year development of the Ports-to-Plains Corridor was measured across a period ending in 2030. It showed an economic benefit of slightly over $4.5 billion and was projected to create 43,600 new jobs across the four-state region. It is important to recognize that while these job impacts were only measured through 2030, these jobs are recurring beyond 2030.

Summary of Economic Benefits

(Millions of 2004 Dollars Discounted at 7.0 Percent)

Benefit Category	Jobs	Total Income 2006–2030
Construction (person years)	1,700	$28
Distribution & Manufacturing (2030)	39,600	$4,258
Roadside Services (2030)	2,000	$216
Tourism (2030)	300	$27
Total	43,600	$4,529

Source: AECOM Consult, Inc.

The PTPCDMP also projected that the expansion of the multi-state Ports-to-Plains Corridor, based on the original construction elements described in page two of this statement, would draw traffic from the already congested Interstate 35 and Interstate 25 corridors.

Adding to the economic benefits described above, the 2030 Build travel demand model results indicate that when all improvements have been made, additional traffic will be attracted to the Ports-to-Plains Corridor from surrounding facilities, including Interstate 35 and Interstate 25. The model indicates a twelve percent (12 percent) increase in Corridor vehicle miles traveled over the 2030 No-Build scenario. In addition to these attracted trips, the 2030 Build forecast also reflects a significant shift of travel demand from Dumas, Texas to the north. Because of improvements to the U.S. 287 Corridor through eastern Colorado and increasing congestion on Interstate 25 south of Denver, the model forecasts a shift from I–25 to the improved U.S. 287 Corridor.

Heartland Expressway Corridor Development and Management Plan

The HECDMP was faced with a different interpretation of Section 1118(d) of TEA–21 by the Federal Highway Administration (FHWA) Division Office in Nebraska. FHWA determined that the economic benefits that played a significant role in the PTPCDMP could not be used in identifying a final Benefit Cost Analysis for the Nebraska Heartland Expressway Corridor. The FHWA position was that expenditures of Federal transportation funds would have the same economic benefit no matter where and on what types of projects in the country they were committed. Both the Heartland Expressway and the Ports-to-Plains Alliance opposed this view.

In addition to the FHWA policy change on economic benefits, there was also a significant policy shift when evaluating the benefits associated with Transportation User Benefits. The HECDMP stated:

> *"Typically, these benefits are comprised of travel time savings, which may occur as motorists experience reduced travel times; increased safety, which may occur as the number of accidents that take place on the corridor are reduced; and operating cost savings that may occur as the distances driven by motorists on parallel facilities are reduced . . . "Because improvements along the corridor, in accordance with the Heartland Expressway Vision, typically involve expansion from two-lane facilities to four-lane facilities, it is assumed that there are no operating cost benefits for travelers. However, there would be operating cost savings associated with reduced maintenance costs for parallel roadways as travelers divert to the Heartland Expressway Corridor, thereby reducing the pavement wear and tear on parallel roadways. As a result, the transportation benefits associated with Heartland Expressway Corridor improvements in Nebraska are comprised of travel time, accident reduction, and pavement cost savings only."*

Additional economic benefits are that were not allowed in the HECDMP included job creation and expanded payrolls from construction, operation and maintenance of the proposed improvements as well as benefits from purchases of goods and services necessary to operate and maintain the project.

Travel Time Savings included the reduction in travel times for autos and trucks that could be expected in 2035 due to the improved transportation infrastructure along Nebraska's portion of the Heartland Expressway Corridor was calculated for Existing Users—those vehicles and passengers currently using the Heartland Corridor roadways without the improvements and Diverted Users—those vehicles and passengers currently using parallel routes who divert to the improved Heartland Corridor roadways.

Accident Reduction Savings measured another transportation benefit of the Heartland Expressway Corridor improvements is the potential to reduce the number of accidents that could occur along the corridor due to roadway widening and the introduction of Intelligent Transportation Systems (ITS) variable message boards for incident management.

Pavement Cost Savings in Neighboring States evaluated the potential reduction in Vehicle Miles Travelled along parallel routes, as travelers divert to Nebraska's Heartland Corridor roadways.

Transportation Efficiency was the one economic indicator allowed in the HECDMP. It included road improvements that reduce travel times and improve reliability for truck freight improve the productivity of the logistics chain through the ability to use truck fleets more efficiently resulting in a reduction of inventory cost and organize production more efficiently. If shipments are more reliable, then distribution facilities can be more centralized and enjoy greater scale economies in many cases. Collectively, this allows the economy to be more economically competitive. Because of its economic measurement our statement points out that the four-lane improvements of the Heartland Expressway is projected to create a total inventory savings of $215.4 million across all alternatives results from applying a discount rate of 7 percent.

As shown in the graphic below, these limited Transportation User Benefits resulted in a 1.88 Benefit Cost Analysis for Nebraska for just the improvements in Nebraska and reach 1.98 for Nebraska when the entire Ports-to-Plains Corridor is improved.

	7% Discount Rate				3% Discount Rate			
	Heartland Improvements	Heartland Improvements & Intensified Energy Resource Development	Entire PTP Improvements	Entire PTP Improvements & Intensified Energy Resource Development	Heartland Improvements	Heartland Improvements & Intensified Energy Resource Development	Entire PTP Improvements	Entire PTP Improvements & Intensified Energy Resource Development
Benefits								
Travel Time								
Existing Traffic	$140.8	$139.1	$139.6	$136.4	$347.7	$343.6	$344.9	$336.9
Diverted Traffic	$1.0	$1.0	$25.4	$23.1	$2.5	$2.4	$62.7	$57.1
Pavement Savings	$0.4	$0.4	$0.4	$0.4	$1.1	$1.1	$1.1	$1.0
Accident	$94.8	$94.8	$94.8	$94.8	$226.7	$226.7	$226.7	$226.7
Economic - Inventory Savings	$215.4	$215.4	$215.4	$215.4	$532.1	$532.1	$532.1	$532.1
Total	**$452.4**	**$450.7**	**$475.7**	**$470.2**	**$1,110.0**	**$1,105.8**	**$1,167.4**	**$1,153.8**
Costs								
Capital	$224.1	$224.1	$224.1	$224.1	$361.8	$361.8	$361.8	$361.8
M&O	$16.3	$16.3	$16.3	$16.3	$40.2	$40.2	$40.2	$40.2
Total	**$240.4**	**$240.4**	**$240.4**	**$240.4**	**$402.0**	**$402.0**	**$402.0**	**$402.0**
Benefit Cost Ratio	**$1.88**	**$1.87**	**$1.98**	**$1.96**	**$2.76**	**$2.75**	**$2.90**	**$2.87**

Source: AECOM

While FHWA would not allow other economic benefits to be included in the Benefit Cost Analysis, the HECDMP did include a section on Economic Benefits that summarized construction impacts, roadside services impacts and competitiveness impacts. While not added to the Benefits Cost Analysis, these economic benefit findings are certainly important to the question regarding economic impacts of rural freight corridors. These impacts are summaries in the graphic on page 8.

- *Construction impacts.* Construction of the project would create jobs and expand payrolls for the duration of the project's construction cycle.

  For the four-state Heartland Expressway region the effects of the Nebraska component of the Heartland Expressway Corridor construction would result in $285.3 million in earnings ($2012) and 6,754 person-year jobs for the 2016–2037 construction. These are one-time impacts that last for the duration of the construction period only. One job is defined as a job for one person during a one year's duration. As an example, a job for one person for three years would be defined as three person-year jobs.

- *Operation and maintenance impacts.* Since the project adds new lane miles, there would be hiring associated with the operation and maintenance of these new lane miles as well as the local purchases of goods and services necessary to operate and maintain the project. Unlike the one-time construction impacts, these new operations jobs and local purchases required to operate the project would be recurring impacts.

  For the four-state Heartland Expressway region the effects of the Nebraska component of the Heartland Expressway Corridor maintenance and operations would result in $46.9 million in earnings ($2012) and 1,146 person-year jobs for the 2016–2054 analysis period. Similarly, for the Nebraska Heartland Corridor counties, the effects would results in $40.2 million in earnings ($2012) and 1,108 person-year jobs for the 2016–2054 analysis period. These jobs and earnings consist of operations-related employment in industries whose jobs and services are purchased directly to operate and maintain the new lanes as well as the secondary demand for goods and services across a broader spectrum of industrial sectors that support the industries providing the operations and maintenance services.

- *Economic development impacts.* Economic development would increase with the market's response to the operation of the improved facility. The improved road will improve travel times and reliability, which improves the productivity of the logistics chain through the ability to use fleets more efficiently. If shipments are more reliable, then businesses can reduce their inventories and organize their production processes to be leaner. Collectively, this allows the Heartland Corridor economy to be more economically competitive. In addition, traffic in the corridor would increase, increasing demand for roadside services in the corridor.

  - *Roadside services impacts.* Since the project attracts new long distance users to the corridor, demand for roadside services, including lodging, food, fuel, and other retail purchases would increase. The increase in demand would result in additional hiring and wages earned along the corridor. These would be recurring impacts.

    Traffic along the Nebraska portion of the Heartland Expressway Corridor is expected to increase by at least 3.6 percent with the completion of the transportation improvements due to the attraction of new users and diversions from parallel routes with slower travel times. The impacts of roadside services are largely a transfer from parallel routes to Nebraska's portion of the Heartland Expressway Corridor. For the Nebraska Heartland Expressway Corridor region the effects of the roadside services expenditures associated with the Heartland Expressway Corridor travel scenario would result in $73.5 million in earnings ($2012) and 3,175 person-year jobs for the 2016–2054 analysis period.

    As shown in the graphic on page 8, Roadside Services Impacts were measured for several other scenarios including improvements and impacts outside of Nebraska. These scenarios, however, measured the economic impacts in Nebraska and demonstrate the importance of developing the entire Ports-to-Plains Corridor. Roadside Services expenditures associated with the Heartland Expressway Corridor Heartland and Intensified Energy Resource Development travel scenario would result in $330.9 million in earnings ($2012) and 14,374 person year jobs for the 2016–2054 analysis period.

    For the Entire PTP Corridor the travel scenario would result in $370.8 million in earnings ($2012) and 16,079 person-year jobs for the 2016–2054 analysis period and for the Entire PTP Corridor and Intensified Energy Resource Development travel scenario, travel scenario would result in $655.0 million in earnings ($2012) and 28,468 person-year jobs for the 2016–2054 analysis period.

	Total Job-Years (2016-2054)	Total Earnings (2016-2054)
Construction	6,558	$ 248
O&M	1,108	$ 40
Roadside Services		
Heartland	3,175	$ 73
Heartland & Intensified Energy Resource Development	14,374	$ 331
Entire PTP	16,079	$ 371
Entire PTP & Intensified Energy Resource Development	28,468	$ 655
Total (Range provided based on the Roadside Services Scenarios)	**10,840 to 36,133**	**$362 to $943**

◦ *Competitive response.* It is not possible to predict the exact type of business relocation that might occur in response to the productivity improvement; likely expansions would include food processing manufacturing to take advantage of the corridor's significant agricultural assets and distribution facilities that take advantage of the corridor's low costs and proximity to the larger urban areas.

This total economic impact was not summarized but gave an estimate for the typical impact of food processing and distribution expansions in the Heartland Expressway Corridor. Based on recent food processing relocations to the region such as KYS Foods and industry trends, the typical food processing plant employs between 20 and 50 employees directly. The estimation assumes an average industry wage of $29,000 for food processing, an average wage of $35,000 for distribution activities, and an average wage of $40,000 for other services.

The impact of a typical relocation of a food processing facility result in $3.431 million in earnings ($2012) and 114 new jobs in Nebraska. Similarly, the impact of a typical relocation of a distribution facility result in $1.425 million in earnings ($2012) and 40 new jobs in Nebraska. The initial statement highlighted the importance of a four-lane highway in locating these types of facilities.

The heading Other Services was provided in the HECDMP because over time, as the nearby Denver region continues to develop into the dominant urban economy in this region of the country, industries will increasingly seek lower cost locations with good access to this dense urban market. The expanding manufacturing base, combined with low cost proximity to Denver, offers opportunities to expand the range of services (and employment opportunities) in the corridor over time.

The relocation of one of these Other Services would result in $1.668 million in earnings ($2012) and 42 new jobs in Nebraska. The completion of the improvements on the Heartland Expressway and the addition of many of these competitive impacts can add significant jobs and earning to the economy of Western Nebraska.

Conclusion

The potential economic impact of both the four-state Ports-to-Plains Corridor and the Nebraska portion of the Heartland Expressway demonstrate the positive economic impacts presented by rural freight corridors. In the Ports-to-Plains region over 43,000 jobs across the four-state region with $4.529 billion in earnings is certainly significant to a largely rural area of the United States. In Nebraska the creation of 10,000 to 36,000 new jobs and $362 million to $943 million in earnings, without the addition of any specific expansion in primary jobs being measured due to FHWA restriction, is equally as significant to Western Nebraska.

Thank you, Chairwoman Fischer. I ask that a copy of this statement be included in the hearing record.

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