

**Statement of
Carl W. Bentzel
Commissioner,
Federal Maritime Commission
Surface Transportation Board Hearing
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Thank you, Chairman Oberman, Board Members Fuchs, Schultz, Primus and Hedlund:

While the primary purpose of the hearing is on potential expansion of the Surface Transportation Board's (STB) authority over emergency service rules, and on the notice of proposed rulemaking that would modify existing emergency service rules. I will confine my comments more to current challenges in the shipment of intermodal cargo, and into what the rail service disruption means to overseas cargo shipments.

I have raised these concerns before with Chairman Oberman and I am sure that the STB and my agency the Federal Maritime Commission (FMC) will have much more to say on supply chain disruption in the future. I am hopeful that we can work together on ways to strengthen the system of intermodal delivery.

I'll get right to the point:

The FMC estimates that intermodal container shipments increased in this country last year by an astounding over 21% growth through our major port gateways.

Unfortunately, the railroads have not been able to keep pace or take advantage of this growth. Case in point, last year railroads saw a reduction of 16.8% of intermodal rail service, this is at a time when international container volumes surged to a 21% growth. During this time, one major West Coast railroad halted rail service from the West Coast to Chicago for a week at the height of volume surge last summer - and another metered or reduced the scope of services. Still, the Union Pacific annual report for last year indicated that intermodal revenues had increased 3%.

This is stunning. Think how much revenue was left on the table? Think how much could have been made if they had even broken even, let alone increased market share. But even more to the issue, think of how much smoother and more efficient

the supply chain could have run this past year if maritime surges had been matched by rail efficiency.

While this might seem like a condemnation of the railroad industry, it is in fact a plea.

Our nation desperately needs railroad service at U.S. ports. There simply is not enough space or land in our major port areas to continue to rely mostly on trucking distribution. Since the start of the pandemic, I have visited major port and freight gateways in the United States ----and the message from maritime industry leaders is always the same, they need expanded rail services, so cargo can move expediently and efficiently. Quite frankly, there needs to be better coordination in moving boxes from the ports and onto rail. That means more capacity, more equipment, and a willingness to communicate. I do not believe that existing port infrastructure will be able to handle our international trade without committed railroad investment and participation.

In the longer term, cargo distribution must take place away from our heavily congested ports. There is nascent growth of a system of inland ports and distribution centers, but much work remains if we are to handle projected volumes of growth in the supply chain. U.S. railroads must be engaged not only connect the dots of the supply chain but stimulate this growth. Our ports and maritime industry cannot be relied upon to warehouse and distribute our nation's cargo, ports are facilitators of freight—not distribution centers.

What also concerns me is that other countries have already figured this out. The U.S. has been slow to make meaningful investments in connecting our maritime infrastructure with our rail network. For instance, market share for U.S.-bound cargo from the West Coast in 2007 was dominated by U.S. ports with a 60.7% share while Canadian ports had 39.3% market share. By 2019, for the same market U.S. ports were 44.1% share while Canadian ports now were dominant with a 55.9% market share. The Canadian government has enacted legislation to support Atlantic and Pacific port gateways, and this has hurt our ports, the workers who work on intermodal shipping and U.S. railroads who serve the ports.

In the marketplace this means that the investment in Canadian port infrastructure has shifted cargo from U.S. ports to Canadian ports, where the Canadian government has invested more federal funds and enacted more favorable policies supporting their ports and railroads.

We need to do a better job investing and connecting our infrastructure assets. The railroads need to stop reading stock market prices and focus on revenue growth. Intermodal shipping is the growth market in international shipping as more nations come online with containerized shipping investments, and I believe that this trend will only accelerate in the future.

In closing, I believe that U.S. intermodal railroad service will be critical in the coming decade as we struggle with increased trade, and congested entry points. Intermodal rail service provides a way to bypass the congested port areas on the coast to facilitate the next leg of the intermodal journey. Recently railroads have prioritized cost savings, as opposed to revenue generation to maximize intermodal market growth. All efforts should be made to work with and push the railroad industry to increase market share of intermodal cargo when it gets to the United States. This will facilitate greater integration at U.S. ports, and more advantageously position trucking to be more efficient in moving cargo from ports and railroad terminals.

Thank you for the opportunity to appear today. I look forward to any questions the Board Members might have.