

**Testimony of John Gates, CEO and President of PortaeCo  
and Founder of Centerpoint Properties  
On Behalf of the Metropolitan Planning Council  
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The National Surface Transportation Policy and Revenue Study Commission  
Chicago, Illinois**

Thank you Vice Commissioner Schenendorf and other Members of the Commission for allowing me to testify today on recommendations to “preserve and enhance the surface transportation system to meet the needs of the United States for the 21st century.” (Congress’ declaration in creating the Commission.) My name is John Gates, and I am the CEO of PortaeCo LLC, and the founder of CenterPoint Properties, the largest developer in Illinois of intermodal facilities. CenterPoint redeveloped the old Joliet Arsenal, which is now the largest inland intermodal facility in the nation.

But today I am wearing my hat as a Board Member and Past Chair of the Metropolitan Planning Council. MPC, as it is known locally, was established in 1934, and advocates for sensible growth initiatives that will maximize Chicago’s transportation network to ease the flow of goods and people while enhancing the livability of the Chicago region for its residents and businesses.

A succession of federal transportation “TEA” bills have strengthened the connection between land use decisions and

infrastructure decisions, understanding that a region's vision of great places can be implemented only when the right transportation investments happen. MPC believes that the reauthorization of the current Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) measure, which is due to expire on September 30, 2009, is an historic opportunity and should follow these seven tenets in order to maximize every trust fund dollar, adequately fund vital transportation projects, and strengthen regional decision making:

- 1) Revenue should be increased to restore the purchasing power of the gas tax to 1993 levels, the last time the gas tax was increased.
- According to AASHTO projections, annual spending at the end of the next reauthorization cycle in 2015 would total \$90 billion, up from the SAFETEA LU recommended level of \$53 billion in 2009. However, as has been presented here today and as this Commission has heard countless times, as early as 2009, revenue will not meet SAFETEA LU recommended levels, and funding will be greatly reduced for both highway and transit assistance.

- Revenues should not only be increased to meet 1993 purchasing power, but the revenue stream should be increased every year to track inflation.
- 2) Congress should decrease reliance on the gasoline tax during the course of the next six-year highway and transit authorization measure and phase in a variable vehicle mileage tax.
- While traditional gas powered vehicles still have a hold on the automotive market, the attitude of both consumers and the automotive industry to alternative fueled vehicles has drastically changed since passage of SAFETEA LU in 2005. Whereas most Americans were not aware of gas-electric hybrid vehicles two years ago, they have become among the best selling cars on the market, as Toyota alone aims to sell over 300,000 hybrids in the U.S. in 2007.
  - Advanced hybrid and a multitude of other alternative fuel vehicles are scheduled to enter the market to cater to a growing segment of consumers in the next two years. These cars will make infrequent trips to the gas pump, which will dramatically slow the growth of the highway trust fund and endanger the ability of the system to maintain itself.

- Some countries, such as the United Kingdom, are exploring nationwide variable pricing systems that aim to replace the gas tax while deterring congestion. This system could charge users higher prices in congested urban areas during certain times of day while charging less on empty rural roads. This structure is preferable to the flat vehicle miles traveled fee, which doesn't address congestion issues.
- 3) Congress should expand authorization and funding for innovative funding mechanisms such as public private partnerships (PPP's) and congestion pricing across all modes of transportation.
- I should note that MPC does not advocate PPP's and congestion pricing as a means for the federal government to devolve its responsibility in funding the maintenance, enhancement, and expansion of the Interstate System.
  - Rather, innovative financing could be utilized where there is a need to either reduce congestion or create greater access to various modes of transportation, but there are not sufficient funds to pay for that transportation enhancement.
  - For instance, in Chicago there is no access to O'Hare Airport except from the east. However, the suburbs to the west of O'Hare are heavily populated and growing.

- The eastern access road, I-190, is under incredible strain and in need of repair and enhancement. A PPP could help fund a needed, but expensive, western bypass route, and would be a perfect example of a PPP advancing the intermodal needs of the global transportation network in Chicago.
- 4) Congress should increase trust fund revenues dedicated to non-highway sources such as transit; historically transit has received less than one-fourth of the funding that highways receive.
- The Chicago transit system, parts of which are a century old, is in dire need of reconstruction. Chicago is facing a multi-billion dollar funding need in the face of a doubling of transit times.
  - In cities all over the country, people are asking for an expansion of transit, and nationwide, transit ridership is up 25 percent in the last decade.
  - President Bush and leaders in both political parties have come to a consensus on the need to wean ourselves off of foreign oil as both an energy and national security strategy, and transit plays a significant role in this goal, as transit riders save an average of \$1400 in gas per year.

- 5) Congress should increase the pot of funds available to regionally determined priorities while developing multi-modal modeling systems that would allow regions to determine the most cost efficient use of their transportation funding.
- We should no longer think in terms of a highway trust fund. The goal of a transportation network is NOT to simply build new roads. Rather, a transportation network should increase mobility, encourage economic development, and improve the quality of life for everyone.
  - Regional transportation organizations should be empowered to determine how a region can best spend its money and serve its citizens. But regions need federal help in developing multimodal modeling that can help determine what projects will deliver the biggest bang for the buck.
  - With the necessary tools, regions and local communities will be better able to rate and select projects that increase the livability of their region. So rather than simply be handed money to lay concrete for new mega projects that will induce demand and do little to reduce congestion and increase mobility, regions will spend their money on the most cost-efficient projects.

- This means that less high-profile projects such as sidewalks, crosswalks, bike paths, and increased access to transit stations will no longer be ignored, as they will be able to compete on an even playing field with high profile road projects.
- 6) Railroad projects should receive guaranteed trust fund revenue and freight railroads should contribute to the trust fund.
- Maximizing use of the existing freight railroad network will help to alleviate congestion on highways and reduce oil consumption. One train carries as much freight as 280 trucks, and saves three times the amount of diesel fuel.
  - However, railroads currently do not pay into the highway trust fund, so the trucking lobby strongly opposes trust fund dollars being expended on railroad projects. Railroads should contribute to the trust fund and leverage some of these additional trust fund dollars to be invested in improving railroad infrastructure and multimodal yards.
  - A pilot program could be established in the Chicago area to test such a program. All freight containers that enter into the Chicago region could pay a facility charge that would be directed to a rail trust fund for railroad improvements.

General trust fund revenue would match the railroads' contribution.

- In the capacity constrained environment that we live in, we can no longer ignore our aging railroad infrastructure, nor can we ignore the benefits that freight railroad projects will bring to the highway system and the transportation network in general.
- For example, if the Chicago rail network, some of which is 150 years old, were to be modernized, then freight speeds on both the roads and the rails would increase dramatically. This is desperately needed as freight traffic is expected to double in 30 years, with 80 percent of that traffic to be hauled on trucks if we do not upgrade our rail infrastructure.
- I will expand on this example and discuss the benefits of the Chicago CREATE rail program momentarily.

7) Congress should provide rewards for the efficient use of land in the development of transportation projects.

- The population of the U.S. is expected to increase by 50% by 2050, with much of the growth coming in heavily populated urban areas along the coasts, in the south, and in mega regions such as Chicago. So we must optimize our land use patterns using sensible growth strategies that guide regions to

make tough investment choices. Investments that supports mixed use, mixed income developments near transit, retail, and jobs should move to the front of the line.

- If regions continue to grow ever outward with homes located far away from economic opportunities, if we ignore opportunities to encourage infill development of under-used urban areas, we will only increase travel times and cause further congestion on the roads.
- The harsh truth is that continuation of past build-out policies will bankrupt our transportation system.

This panel is titled **Regional Surface Transportation Issues and the Impact on the Global Economy**, and so allow me to delve

briefly into the global role that the transportation network in Chicago plays. I believe that Chicago is unlike any other north American city because it is truly an intermodal global gateway. Chicago is the epicenter of the global aviation community, with O'Hare acting as the world's only dual hub international airport and Southwest Airlines utilizing Midway Airport as its premier point-to-point facility. Likewise, Chicago is the North American rail hub, as it is the only city on the continent where the six largest Class I railroads converge, and it also serves as Amtrak's Midwestern hub. But in a tri-state metropolis of over 11 million

people bounded on the south by heavily-traveled Interstate 80, the nation's transportation cross-roads is desperately in need of repair. Unfortunately, the domestic and international markets suffer when their access to Chicago is blocked.

What will help increase access and mobility to and through Chicago? The Chicago Region Environmental and Transportation Efficiency program, and it is a perfect example of a smart growth initiative. Called CREATE, the \$1.5 billion project aims to maximize use of the existing railroad network to decongest the rail and road traffic not only in the Chicago area, but around the continent. Rail traffic inside of the Chicago terminal moves at a glacial pace of 9 mph. Since one-third of the nation's rail traffic moves through Chicago as the city serves as the primary switching point for east-west rail traffic, this slow crawl causes a traffic jam all the way back to the east and west coast ports.

The CREATE program is a public-private partnership and needs a consistent federal revenue stream in order to come to fruition. Mega railroad projects deserve guaranteed trust fund revenues, or else the traffic jam on our nation's railroads will get worse, forcing more freight onto the highways. Simply put, creating a consistent

revenue stream for railroad projects such as CREATE is no longer an option – it is a necessity.

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The CREATE project alone will not solve the transportation dilemma in Chicago, as Chicago is a true intermodal port. Therefore, trust fund revenues should not only be directed to rail line capacity, but to intermodal development as well. A good example of smart growth intermodal development is taking place less than 60 miles from here near the old steel mill region of Joliet. When I was CEO of CenterPoint, we worked with the federal and local government to purchase the abandoned Joliet Arsenal, and in cooperation with the Burlington Northern Santa Fe Railroad and other developers created the largest inland intermodal facility in the nation.

What is significant about this development? The Joliet Arsenal lies outside the Chicago rail “Beltway”, which is delineated by the EJ&E Railroad. This intermodal facility allows freight rail traffic that does not need to be delivered to intermodal yards in congested urban areas to be redirected to outlying points in region. This relieves pressure from the Chicago rail and road network, and helps to speed the movement of goods not only throughout the

region, but across the country. The CenterPoint property at the Joliet Arsenal is a dual example of both smart growth and a public private partnership, in that it brought together government and private business to utilize and maximize the existing land and transportation network to ease the flow of traffic through an urban region.

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In closing, I would like to thank the Commission for allowing me to testify, and MarySue Barret, the President of MPC, to speak on behalf of the organization. I will be happy to answer any questions you may have. Thank you.