



**Special points of interest:**

- Border Shipments
- Biofuels & Food Prices
- I-81 Corridor Coalition
- High-Speed Rail
- Driver Shortages
- Consumer Confidence

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## Expedited Freight Shipments at the Border

Trucking industry leaders in both Canada and the United States applauded an agreement between the two nations to spend the next two years streamlining and coordinating the plethora of agencies and regulations that govern security and freight movement at their border. Under the agreement announced Feb. 4 at a White House meeting of President Obama and Canadian Prime Minister Stephen Harper, a new joint border council will review everything from incompatible electronic transponders to paper cargo manifests that can slow trucks and trade.

“This agreement is a positive first step to increasing the competitiveness of businesses on both sides of the border,” said American Trucking Associations President Bill Graves. Trucks carry about 60% of the value of trade between the United States and Canada,

“A truck crosses the border at least once every three seconds; a border that has thickened considerably over the past decade since the attacks of 9/11,” said David Bradley, president of the Canadian Trucking Alliance. “We have been calling upon the governments on both sides of the border to enter into a new shared, smart border agreement for some time.”

Bradley said he hopes it will “lead to a better balance between security and trade imperatives.” Without an efficient supply chain, Bradley said, the two nations cannot compete with emerging trading blocs around the globe.

The new U.S.-Canada Regulatory Cooperation Council (RCC) is to be composed of agencies from both countries that deal with security, trade, traffic and infrastructure at the border. This new border council is to complete an action plan for enhanced border cooperation and compatibility within two years and to hold its first meeting

within 90 days of the Obama-Harper meeting.

“The RCC has a two-year mandate to work together to promote economic growth, job creation, and benefits to our consumers and businesses through increased regulatory transparency and coordination,” the White House said in announcing the agreement.

On the same day Obama and Harper met at the White House, ATA representatives met with U.S. Customs and Border Protection officials to discuss truck issues at both the Canadian and Mexican borders. Graves called the meeting “a very open and positive discussion” about finding “ways to improve and expedite the movement of freight.” Security and permit requirements for carriers hauling cargo back and forth across the Canadian border were also discussed at the U.S. Customs meeting. Trucking companies on both sides of the border want the RCC to address regulatory requirements.

Many trucks crossing into Canada, for example, even Canadian trucks, have transponders that show they possess certain fast-track security permits. But Canada does not have the technology to read the transponders, so trucks must stop to enter Canada. Going south, they do not have to stop to identify themselves because U.S. technology can read the transponders.

Truckers from both countries would also like to see better use of electronic data entry systems so that they can declare cargo online days ahead of the crossing.

Ideally, the new RCC should, with input from the trucking industry, develop a single border crossing system so carriers do not have to deal with multiple sets of border regulations.

*Courtesy Transport Topics*

## The Effect of Biofuels on Food Prices



Each year, the world demands more grain, and this year the world's farms will not produce it. World food prices have surged above the food crisis levels of 2008. Millions more people will be malnourished, and hundreds of millions who are already hungry will eat less or give up other necessities. Nearly all assessments of the 2008 food crisis assigned biofuels a meaningful role, but much of academia and the media ultimately agreed that the scale of the crisis resulted from a "perfect storm" of causes. Yet this "perfect storm" has re-formed not three years later. We should recognize the ways in which biofuels are driving it.

Demand for biofuels is almost doubling the challenge of producing more food. Since 2004, for every additional ton of grain needed to feed a growing world population, rising government requirements for ethanol from grain have demanded a matching ton. Agricultural production is keeping up in general with the growing demand for food - but it keeps up with the added demand for biofuels only if growing weather is good. A good growing year in 2008 helped end that year's crisis, but average-to-poor weather since then has stressed inventories and confidence. Higher fuel costs for farmers and a weaker dollar contribute to higher prices, but prices soar only when large consumers, fearing that production will continue to fall

***“The Obama administration needs to focus on fuel sources that do not compete with food.”***

short, bid up prices to secure their supplies.

A broad misunderstanding has also arisen from economic models predicting price increases from biofuels that are still far lower than those of the past decade. In fact, these models do not estimate biofuel effects on prices today but those in a future market "equilibrium," which will exist only after farmers have ample time to increase production to match demand. Today, the market is out of equilibrium. Biofuels have grown rapidly, from consuming 2 percent of world grain in 2004 to more than 6.5 percent of grain last year. Governments worldwide seek to triple production of biofuels by 2020, and that implies more moderately high prices after good growing years and soaring prices after bad ones.

The good news is that relief is possible. Economic studies imply that food prices should come down if we can just limit biofuel growth. Corn ethanol is nearing Congress's requirement for 15 billion gallons a year, and lawmakers need to hold it there. For "advanced biofuels" required by Congress, the Obama administration needs to focus on fuel sources that do not compete with food, such as garbage and crop residues.

*Courtesy The Washington Post*

## I-81 Corridor Coalition Update

The I-81 Corridor Coalition continues to make major strides forward. To this point, the Coalition has been driven basically by volunteer leaders with a big boost from staff at the Cumberland County (PA) Commissioner's office. The 6 states involved along I-81 are now being assisted by Virginia Tech Transportation Institute. VTTI will house the Coalition, hire support staff, manage all funds, and administer the Coalition's outreach program and project research. In addition, VTTI will provide a 20% match for all funding received by the Coalition.



A first-year budget has been created and a job description is being developed for the Executive Director position. Several State DOT's have indicated that they will contribute money to the Coalition, so a good start on the budget has been made.

Longer term, it is the hope of the Steering Committee of the Coalition that federal funding may be available to assist in the day to day operations of the I-81 Corridor Coalition. The group consists of 6 states with similar agendas and goals for the Coalition. This is the type of initiative with great appeal to the federal government.

## Is High-Speed Rail a Waste of Taxpayer Dollars?

High-speed rail would definitely be big. Transportation Secretary Ray LaHood has estimated the administration's ultimate goal - bringing high-speed rail to 80 percent of the population - could cost \$500 billion over 25 years. For this stupendous sum, there would be scant public benefits. Precisely the opposite. Rail subsidies would threaten funding for more pressing public needs: schools, police, and defense.

History confirms that passenger rail service inspires wishful thinking. In 1970, when Congress created Amtrak to preserve intercity passenger trains, the idea was that the system would become profitable and self-sustaining after an initial infusion of federal money. This never happened. Amtrak has swallowed \$35 billion in subsidies, and they're increasing by more than \$1 billion annually.

Despite the subsidies, Amtrak does not provide low-cost transportation. Bus travel is much cheaper and in certain corridors, air is a viable alternative. There is also little impact on pollution or congestion as Amtrak's traffic volumes are so small. In 2010, Amtrak carried 29.1 million passengers for the entire year. That's about 4 percent of annual air travel (2010 estimate: 725 million passengers). It's also roughly a quarter of *daily* automobile commuters (124 million in 2008). Measured by passenger-miles traveled, Amtrak rep-

resents one-tenth of 1 percent of the national total. Rail supporters argue that passenger service subsidies level the playing field with highways and airways. Passenger rail subsidies are by far the highest with mass transit second and air well below each. Drivers receive no subsidy as their fuel taxes supposedly govern government spending.

Once built, high-speed-rail systems would face a dilemma. To recoup initial capital costs - construction and train purchases - ticket prices would have to be set so high that few people would choose rail. But lower prices, even with favorable passenger loads, might not cover costs. Government would be stuck with huge subsidies. Even without recovering capital costs, high-speed-rail systems would probably run in the red. Most mass-transit systems, despite high ridership, routinely have deficits. It's a triumph of fancy over fact. Even if ridership increased fifteen fold over Amtrak levels, the effects on congestion, national fuel consumption and emissions would still be trivial.

Governing ought to be about making wise choices. What's disheartening about the Obama administration's embrace of high-speed rail is that it ignores history, evidence and logic. The case against it is overwhelming.

*Courtesy The Washington Post*




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*“Governing ought to be about making wise choices.”*

## Driver Shortages Loom

Increase in demand, cuts in capacity and improving pricing has aided major U.S. truckload carriers in their quest for improved earnings. As demand increases, many carriers have found that they can recapture some of the rate lost during the recession.

During the economic downturn, trucking companies cut capacity due to declining demand. As the economy improves, many carriers are upgrading their fleets before turning to the capacity issue. Adding more trucks is one thing, finding suitable drivers is quite another. New hours of service regu-

lations, electronic on-board readers and new standards for drivers implemented in 2010 will all lower the pool of available drivers. This new regulatory environment will affect truck capacity as 3 to 5% of drivers will become unemployable. Many companies anticipate that the driver market will become more challenging during 2011. While higher unemployment rates have aided driver recruiting and retention efforts, the improved freight market and changing industry safety regulations will tighten driver supply.





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## Consumer Confidence Soars

Consumer confidence hit its highest level in three years in February, the New York-based Conference Board reported recently. The group's monthly index grew to a 70.4 reading, the highest since February, from a revised 64.8 in December that was higher than previously estimated. The reading was higher than economists' forecasts of a rise to a 65.5 reading. An improvement in confidence may increase consumer spending, which accounts for 70% of the economy.

While a positive sign for our economic recovery there are increasingly more danger signals to watch for. The price of oil is increasing at a fabulous pace with talk of \$5/gallon gasoline a possibility by summer. The unrest in mid-east countries and parts of Africa must be stabilized before the large increases in a barrel of oil can be contained. We may be in better shape than the last time gas prices escalated to these levels as the automobile manufacturers have produced a wide range of energy-efficient automobiles but there is still major cause for concern.

It will be interesting to look at consumer confidence levels a month from now.

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## Notes From The Director

The third annual Capital Corridor conference will be held June 6 & 7 at the Edgewood Resort ([www.theedgewoodresort.com](http://www.theedgewoodresort.com)) in Alexandria Bay NY. We will once again offer an exciting program of high-level presenters speaking to the issues that we need to address in 2011. Speakers will attend from both sides of the border and will offer their expert commentary on issues such as agriculture, tourism, energy, transportation, and bi-national trade.

The event will be held over two days with a Monday night reception at historic Boldt Castle ([www.boldtcastle.com](http://www.boldtcastle.com)) on Heart Island. Those that attended this event last year could not say enough about this venue for a reception. The Thousand Islands Bridge Authority have spent over \$30M during the last 34 years rehabilitating this marvelous property. The Castle is the largest single attraction in the 1000 Islands. One visit and you will see why! The conference venue at the Edgewood guarantees attendees a high-

quality conference facility with good food and accommodations. We will be offering a block of rooms at reduced price in the near future so watch our website. With the conference running on Monday and Tuesday, this will be the perfect opportunity to spend a weekend in the 1000 Islands.

As Director of The Capital Corridor, it is wonderful to see others using collaboration to push forward great ideas. We see a fine example in the work of the I-81 Corridor Coalition as representatives from 6 states work together on efforts to improve passenger and freight movement through the Corridor. On another front we have participated with representatives from both sides of the border to improve communication and opportunities for joint economic development. This is all good. As Benjamin Franklin once said, "We must all hang together or assuredly we will all hang separately."



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