

JTC Freight Investment Study

First Stakeholder Group Meeting

presented to

Joint Transportation Committee

presented by

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Cambridge Systematics, Inc.

Gill Hicks

August 9, 2007

Transportation leadership you can trust.

Agenda

First Stakeholder Group Meeting

1. Welcome & opening remarks
2. Self-introductions and role of each member
3. Overview of the study goals & objectives, schedule **(CS)**

BREAK — 15 minutes

4. Roundtable discussion of role of the stakeholders **(Gill Hicks)**
5. List of critical freight investments **(CS)**
6. Schedule of meetings **(CS)**
7. Next Steps **(CS)**

Adjournment

Welcome

Opening Remarks

- **Role of the Stakeholders Group**
- **Role of the Policy Group**

Self-Introductions

Role of Each Member

- Larry Paulson, Port of Vancouver
- Tim Farrell, Port of Tacoma
- John Okamoto, Port of Seattle
- Paula Hammond, WSDOT
- Karen Schmidt, FMSIB
- Vicky Marin, WA Retail Assn.
- Toni McKinley, Northwest Grocery Assn.
- Jennifer Holder, Wal-Mart Stores
- Chris Rucker, SUPERVALU
- Darren O'Neil, Teamsters
- Herald Ugles, I.L.W.U. Local 19
- Mark Ricci, Ricci Endeavors, Inc.
- Terry Finn, BNSF Railway Co.
- John T. Gray, Union Pacific Railroad
- Jordan Royer, Pacific Merchant Shipping Assn.
- Bill Deaver, TOTE
- Art Scheunemann, NW Container Services
- Larry Pursley, WA Trucking Assns.
- Rep. Bill Thomas, Alaska Legislature
- Rep. Beth Kerttula, Alaska Legislature
- Ashley Probart, Assn. of WA Cities
- Andy McLauchlan, Carrix
- Greg Unterbrink, Marine Terminals Corp
- Dan Seydel, Platinum Business Group
- Amber Carter, Assoc. of WA Businesses
- Hayden Swofford, Pacific NW Asia Shippers
- Debbie McGourin, Wheat Farmer
- Jared Balcom, Potato Farmer
- Darrin Morrison, Potato Farmer

Policy Group

- Rep. Mike Armstrong
- Rep. Richard Curtis
- Rep. Dennis Flannigan
- Rep. Zack Hudgins
- Rep. Mike Sells
- Rep. Judy Clibborn
- Rep. Fred Jarrett
- Jill Satran, Governor's Office
- Sen. Janeá Holmquist
- Sen. Ken Jacobsen
- Sen. Jim Kastama
- Sen. Chris Marr
- Sen. Mark Schoesler
- Sen. Mary Margaret Haugen
- Sen. Dan Swecker
- Dan O'Neal, Transp. Comm.

Overview of the Study

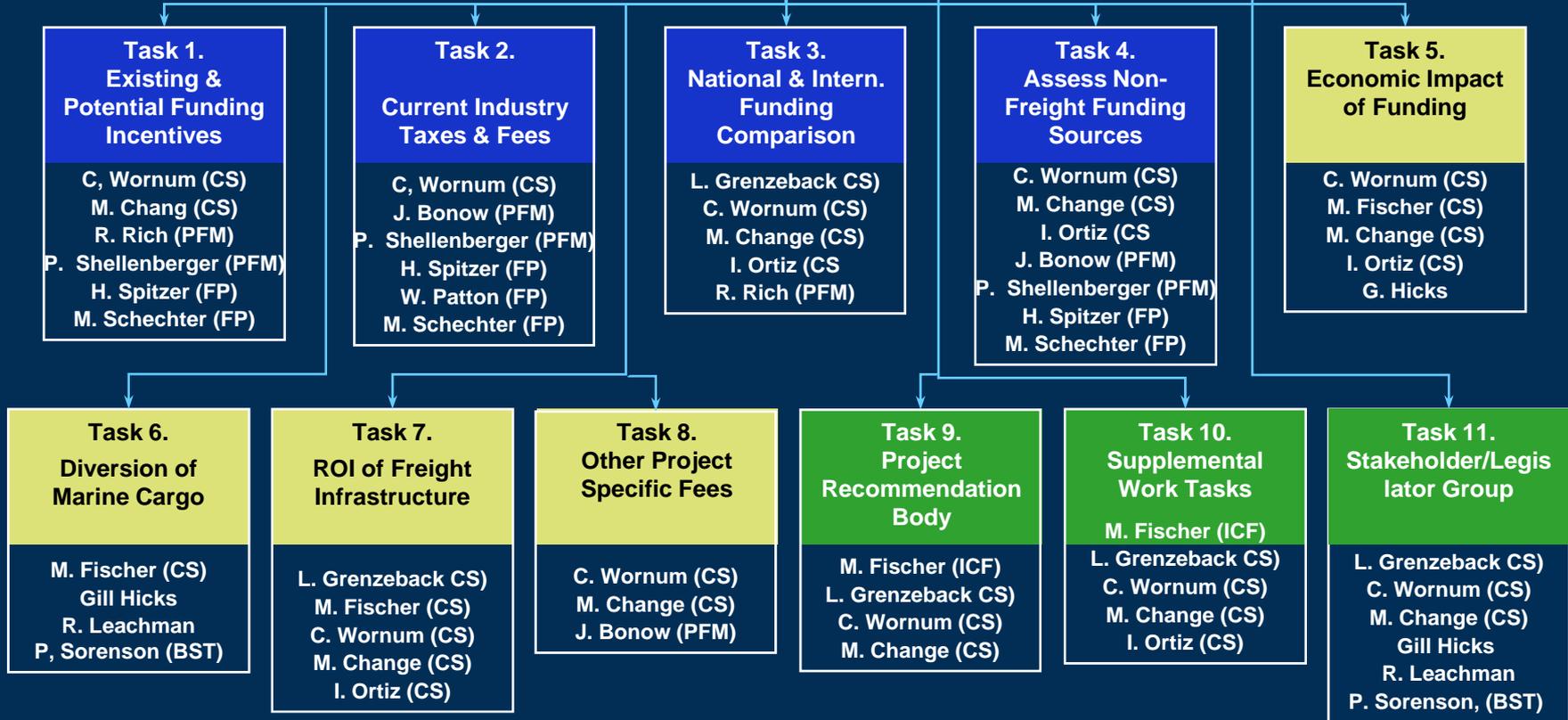
- **Goals & Objectives**
- **Scope of Work**
- **Study Team**
- **Approach**
- **Schedule**

Cambridge Systematics Team Roles and Responsibilities

CS Cambridge Systematics, Inc.
 FP Foster Pepper
 PFM Public Financial Management
 GHA Gill Hicks & Associates
 RLA Rob Leachman & Associates
 BST BST, Inc.

Cambridge Systematics,
 Lance Grenzbeck
Principal-in-Charge
 Chris Wornum
Project Manager
 Mark Chang
Deputy Project Manager

JTC



Review of Legislative History of the Study

Recent Legislative Efforts to Fund Freight Infrastructure

- 1998: State Freight Mobility Strategic Investment Board, (FMSIB) consisting of public and private sector was created to advocate for freight mobility needs for all modes and without regard to jurisdiction or ownership.
- 2005: Two accounts, each funded at slightly over \$3 million per year, were established in 2005 to help finance road and multi-modal projects related to freight mobility.
- 2006: JTC Long-Term Transportation Financing Study identified alternative medium term financing options, including container charges, to address transportation funding needs.

Review of Legislative History (Continued)

Recent Legislative Efforts to Fund Freight Infrastructure

- 2007: Senate Bill 5207, as introduced, imposed a fee on freight containers passing through a port to help finance freight corridor improvements. The bill evolved through the legislative process to ultimately:
 - Require this study of alternatives for financing freight improvements,
 - Involve participation of a group of stakeholders, and
 - Require an evaluation of the structure and responsibility for a future project recommendation body.
- Substitute Senate Bill 5207, enacted during the 2007 Legislative Session, created the Freight Congestion Relief Account in the Washington State Treasury; however, no revenue sources were identified to fund that account.

Review of Legislative History (Continued)

Recent Legislative Efforts to Fund Freight Infrastructure

- PSRC sponsors the Regional Freight Mobility Roundtable, bringing together federal, state and local agencies and private sector to address improvement of regional freight movement.
- 2007: State Transportation Commission completed a Statewide Rail Capacity and System Needs Study which recommended additional freight rail capacity as well as state administration of freight programs.
 - These recommendations were addressed during consideration of Senate Bill 6120 during the 2007 Legislative Session.
- 2007: Transportation Budget, ESHB 1094, appropriates funds for the JTC to administer the study, which must be completed by January, 2008.

Review of Legislative History of the Study

Recent Activities to Fund Freight Infrastructure

1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008

FMSIB (1998)

\$3 M (2005)

\$3 M (2005)

Long-Term Transportation Financing Study

Statewide Rail Capacity and System Needs Study

SB 5207 **Substitute**
SB 5207

Review of Scope of Work Tasks

1. Evaluate Existing & Potential Funding Incentives
2. Analyze Current Industry Taxes & Fees
3. National & International Comparison of Freight Funding
4. Assess Non-Freight Funding Sources
5. Measure Economic Impact of Funding
6. Assess Diversion of Marine Cargo
7. Measure ROI of Freight Infrastructure
8. Examine Other Potential Project Specific Fees
9. Recommend a Project Recommendation Body
10. Supplemental Work Tasks
11. Stakeholder/Legislator Groups

Summary of Analytical Methodologies

Role of Leachman Model in the Study

- Assess price elasticity of containerized imports through Ports of LA/LB
- Client: SCAG 2005
- Model allocates imports to ports and modes to minimize total inventory and transportation costs from importer's viewpoint
- Not a "California" model
 - 9 major ports were considered as possible choices for routing of imports (Seattle and Tacoma were combined)
- Considers market shares (direct intermodal, non-local including transload cargo, local) and costs and travel times to inland destinations

Summary of Analytical Methodologies (Continued)

Model Summary

- Evaluated impacts of incremental increases in container fees
- Two scenarios:
 1. “As Is”: revenues not used for infrastructure
 2. “Congestion Relief”: revenues used to improve infrastructure (reduces transit times)
- SPB import volume more sensitive to congestion than to price
- SPB imports relatively inelastic up to about \$200 per FEU

Summary of Analytical Methodologies (Continued)

Major Inputs to Model

- Rates charged by ocean carriers, ports, RRs, IMCs, trucking cos., drayage cos., inventory costs (pipeline, cycle and safety stocks)
- 9 major port areas: Vancouver, BC, Seattle/Tacoma, Oakland, LA/LB, Houston, Savannah, Charleston, Norfolk, NY/NJ (Differences in population, vessel string rotation, concentration of warehousing)
- 21 destination regions
- 5 alternative logistics “strategies”: direct rail, transload rail, direct truck, transload truck through single ports or multiple ports
- Cost matrix assembled for 9 ports, 21 destinations, 5 strategies
- Cargo classes: distribution of cargo by declared value
- 83 major importers and 19 proxy smaller importers

Summary of Analytical Methodologies (Continued)

Major Outputs to Model

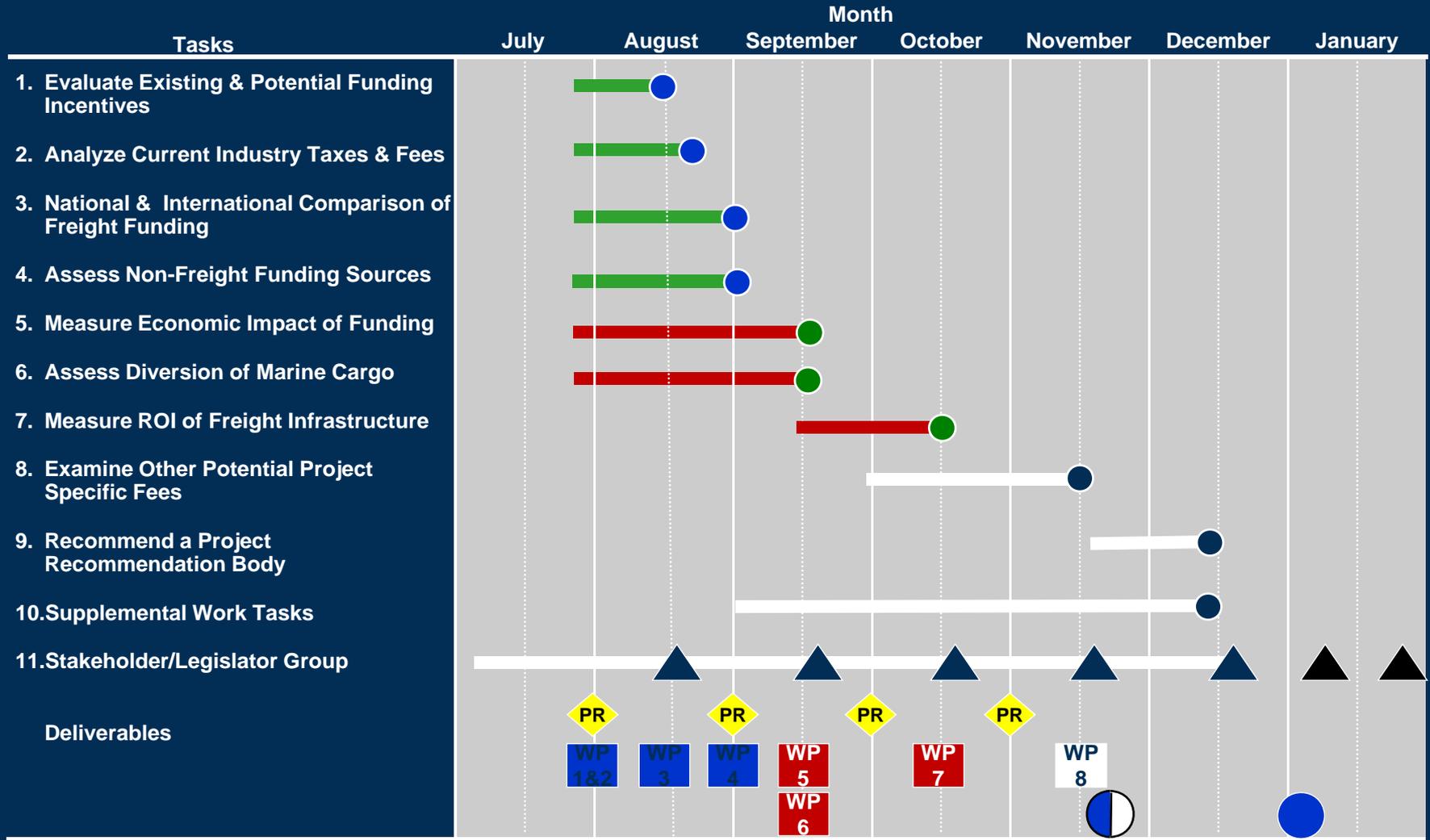
- For each importer and alternative logistics strategy, model computes total transportation and inventory costs and transit times
- Import volumes estimated at ports
- Elasticity curves: Changes in import volumes with changes in user fee

Summary of Analytical Methodologies (Continued)

Limits to Models

- Many simplifying assumptions (e.g., diversification of port congestion risk not considered in Leachman model)
- Reliable data on costs difficult to acquire
- Models don't make decisions or set policy
- Results must be critically reviewed by goods movement practitioners (reality check)
- Models can provide a systematic review of parameters that affect port choice and mode choice
- Understanding market forces critical to setting sound public policy

Study Schedule



- ● Research Tasks
- ● Economic Tasks
- ● Other Tasks

- ▲ Stakeholder Group Meetings
- ▲ Presentations to Legislature

- ◆ Progress Reports
- WP Working Papers

- Draft Final Report
- Final Report

Cambridge Systematics Team

Roles and Responsibilities

- Review of legislative history of the study
- Goals and objectives
- Review of scope of work tasks
- Summary of analytical methodologies
- Role of modeling in the study
- Study schedule

BREAK

15 minutes

2:55 to 3:10

Roundtable Discussion

- **Role of the stakeholders group**
- **Key issues for the study**
- **Definition of a successful outcome**
- **Roles and responsibilities of stakeholders and policy group as specified in legislation**

Preliminary Summary of Interviews

- Stakeholders expectations and key issues
- Discussion of expectations, key issues, and desired outcomes

Stakeholder Group as Defined in SSB 5207

Membership Requirements

- Container ports (2)
- Trucking (1)
- Railroads (1)
- International shipping (1)
- National shipping (1)
- Organized labor (2)
- Import/export (2)
- WSDOT (1)
- FMSIB (1)
- Agriculture (3)
- Others as determined by JTC

Stakeholder Group

Responsibilities Defined in SSB 5207

- **Identifying critical freight congestion relief investments**
- **Identifying alternatives for:**
 - A dedicated funding source for freight congestion relief investments, or
 - User fees to fund specific freight congestion relief investments
- **Developing and reviewing final consultant study**

Additional Roles of Stakeholder Group

- Provide oversight and technical advice to consultant team
- Provide information, data, and industry expertise
- Represent interests of various constituencies
- Work toward consensus
- Provide recommendations to Policy Group

Initial Outreach

Telephone Interviews

- **What are your expectations for being part of the Group?**
- **What led up to the study?**
- **What are the key issues that must be dealt with?**
- **What role will your organization play in resolving the issues?**
- **What would be a successful outcome?**

Generalized Results of Initial Outreach

- **Need funding solutions for targeted projects, not a trust fund for unidentified projects.**
- **Need to achieve consensus on what projects need to be built to provide greater capacity, and how to fund them without losing jobs in the state.**
- **Need plan that is unique to WA; don't just replicate what CA is doing.**
- **Nothing should be done that would hurt the ports' competitiveness, or divert cargo to other ports, or adversely affect job growth in the state.**
- **Need to do a better job of educating officials about the role of international trade and its benefits.**
- **Members are participating to represent and to protect their organizations' or members' interests.**

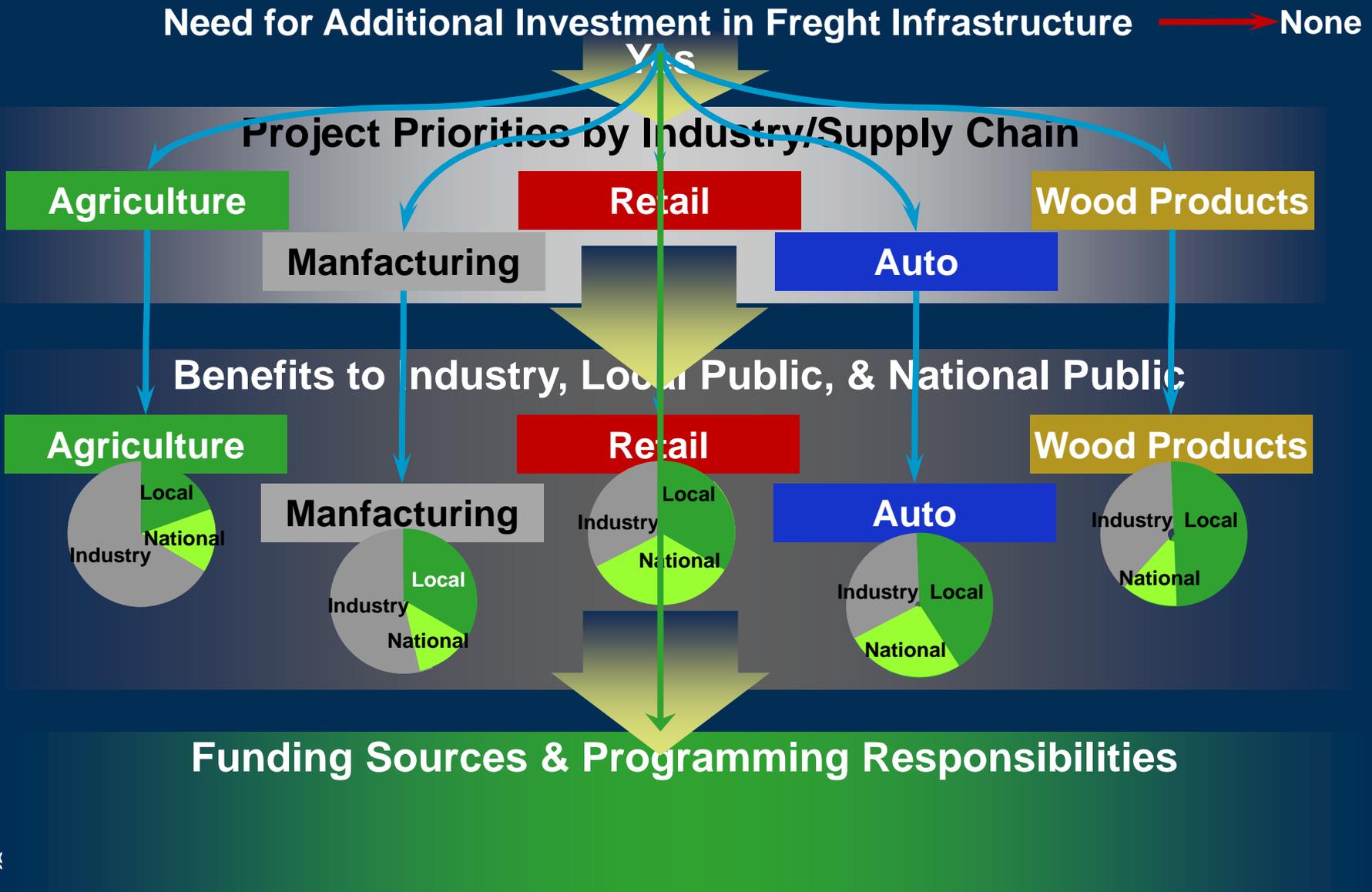
Results of Initial Outreach (Continued)

- **Need a better understanding of the existing business relationships among supply chain stakeholders.**
- **Nexus issues: Need to know who pays and who benefits?**
- **Need to be clear about role of domestic vs. international shipping.**
- **Need open-minded creative solutions, not “rubber stamp” what has been proposed.**
- **Need holistic study of freight needs not just a collection of stakeholders’ views.**

Results of Initial Outreach (Continued)

- **Implement PierPass in PNW**
- **PierPass not needed (lower volumes compared to LA/LB)**
- **Maximize use of existing infrastructure**
- **Identify opportunities for private investments; free up public funds for general infrastructure.**
- **Concerns about the model, accuracy/relevance to PNW**
- **Small shippers, agricultural shippers, short-line users need to be protected.**

Process That Responds to Stakeholder Input



Process for Providing Input to the Study

- Review of data
- Assumptions of the diversion model
- Providing feedback to consultant team

Critical Freight Investments

Identify and Rank Priorities

- Approach to developing list of critical freight investments needed to meet study objectives
- Process for evaluating alternative funding options

Developing a List of Critical Freight Investments

Legislative Priorities

- **Stampede Pass rail tunnel improvements** **\$25 million**
- **Spokane Street Viaduct, Seattle** **\$25 million**
- **SR 509/Port of Seattle to I-5** **\$94 million**
- **SR 167/Port of Tacoma new freeway extension** **\$188 million**
- **Green Valley BNSF and UP Industrial** **\$3.5 million**
- **West Vancouver Freight Access, Vancouver** **\$7.5 million**
- **Freya Street Bridge, Spokane** **\$2.7 million**
- **Port of Tacoma Road Interchange** **\$8 million**

Schedule of Future Stakeholder Meetings



Next Steps: Tasks Prior to Next Meeting

Research Tasks – Funding & Financing Options

- **Task 1 – Evaluate existing and potential Federal, state, and local government freight-related project funding incentives:**
 - Identify all existing freight funding resources
 - Forecast the amount of revenue generated
 - Identify constraints on use of funds
 - The goal of this task is to provide a baseline assessment of what the revenue picture looks like without any new actions by the legislature.
 - The basis for much of this work will be prior studies.

Next Steps: Tasks Prior to Next Meeting (Continued)

Research Tasks – Funding & Financing Options

- **Task 2 – Analyze current taxes and fees paid by the freight industry and the projects those taxes and fees fund.**
 - **Examine the extent to which any of these taxes and fees represent a revenue opportunity that can either be re-directed to freight investment, or be leveraged through other forms of financing.**
 - **The effort will focus on state and local taxes paid by the freight industry and summarize fees and taxes paid at the national level.**

Next Steps: Tasks Prior to Next Meeting (Continued)

Research Tasks – Funding & Financing Options

- **Task 3 – Assess how freight congestion relief investments are financed in selected other states and countries.**
 - ***Financing Freight Improvements* guidebook for the FHWA (January 2007) includes a scan of all funding sources that could have applicability to freight projects in the United States and will research trends in other countries.**
 - **Ascertain the potential applicability of non-U.S. measures to the State.**

Next Steps: Tasks Prior to Next Meeting (Continued)

Research Tasks – Funding & Financing Options

- **Task 4 – Assess non-freight-related fees and taxes that could be used to pay for freight congestion relief.**
 - Evaluate nationally authorized sources such as tax credit and private activity bonding.
 - At the local and regional level, evaluate:
 - economic development loans and bonding authority that can support infrastructure investment (that might fit with existing CERB programs)
 - impact fees
 - local improvement districts and other forms of special assessment districts (e.g., Local Improvement Districts)
 - industrial development bonds
 - public-private partnerships.

Adjournment