

# JTC Freight Investment Study

## *First Policy Group Meeting*

*presented to*

**Joint Transportation Committee**

*presented by*

**Christopher Wornum, Cambridge Systematics, Inc.**

**Gill Hicks, Gill Hicks Associates, Inc.**

**September 11, 2007**

**Transportation leadership you can trust.**

**CAMBRIDGE**  
SYSTEMATICS

# Agenda

## First Policy Group Meeting

1. Self-introductions
2. Overview of Freight Investment Study project
3. Stakeholder group
4. Freight Congestion Relief Projects
5. Future meeting schedule
6. Other issues
7. Adjournment

# Overview of the Study Activities Authorized by SSB 5207 & Budget

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

# Overview of the Study

## Review of Study 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

# Research Tasks - Funding & Financing Options

## Task 1 – Existing and Potential Public Sources

- **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.**

# Research Tasks - Funding & Financing Options

## Task 2 – Existing and Potential Private Sources

- **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.**

# Research Tasks - Funding & Financing Options

## Task 3 – Public Sources Used in Other States

- **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.**

# Research Tasks - Funding & Financing Options

## Task 4 – Existing and Potential Non-Freight Sources

- **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; and**
    - **Public-private partnerships.**

# Economic Tasks – Measuring Impacts

## Task 5 – Impact of New Fee on Competitiveness of Freight

- **Measure the impact of various tax and fee mechanisms on Washington's competitiveness in freight movement.**
  - **Quantify opportunity costs of charging private industry or taxing consumers to fund public infrastructure:**
    - Reduces consumer spending; and
    - Increases business costs.
  - **Forecast benefits of removing significant bottlenecks or improvement of logistic efficiencies:**
    - Without a list of projects, we cannot estimate the benefits of new revenues.
  - **Comparison of impacts and benefits would determine whether spending on freight infrastructure produces a better economic outcome than private spending.**

# Economic Tasks – Measuring Impacts

## Task 6 – Assess Diversion of Marine Cargo

- **Assess the imposition of a container or other port-related user fees, or other funding mechanisms on the diversion of marine cargo at various price points.**
  - **The port elasticity and diversion conducted by Dr. Leachman of the consultant team:**
    - **Update the databases and add detail for Pacific Northwest ports and trade flows**
    - **Conduct model runs to identify the price points at which diversions would take place.**
  - **CS and Gill Hicks will review findings.**
  - **BST will conduct an independent pier review of both the model and its results.**
  - **Model results are only one of several other inputs into estimating the likely diversion effects.**

# Economic Tasks – Measuring Impacts

## Task 7 – Measure the ROI of Freight Infrastructure

- **Measure the ROI in freight rail and highway-based infrastructure supported by potential taxes and fees.**
  - **ROI (i.e., benefit-cost) analysis requires a specific set of projects:**
    - **Definitive project selection is beyond the scope and time available for this project; and**
    - **Sufficient information about direct transportation benefits (e.g., reduced delays, improved reliability, reduced transport cost) and project costs are needed for a first order benefit-cost analysis.**
  - **An alternative could develop a high-level list of key freight transportation improvements that have already been identified:**
    - **WTP Freight Element, FMSIB plans, the Statewide Rail Capacity and Needs Study, and the WPPA Rail Study; and**
    - **Consultant team could work with the Stakeholder Group to structure packages of projects.**
  - **Information on direct benefits could then be fed into an economic model.**

# Economic Tasks – Measuring Impacts

## Task 8 – Examine Other Potential Project Specific Fees

- Investigate other user fees and special taxes, including industrial assessment districts and tax incentives:
  - Inventory all of the potential public sources of transportation funding from the *Long-Term Transportation Finance Study*.
  - Work with stakeholders to determine the feasibility of these sources.

# Project Selection and Stakeholder Facilitation

## Task 9 – Structure of a Project Recommendation Body

- **Recommend the structure of a project recommendation body.**
  - **Work with the Stakeholder and Policy Groups to develop a structure that works for public and private stakeholders:**
    - Objectives of a selection process;
    - Existing selection processes; and
    - Project selection issues.

# Project Selection and Stakeholder Facilitation

## Task 10 – Proposed Supplemental Work Task

- **Prepare a definitive list of specific freight projects.**
  - **Process and projects would demonstrate feasibility for first round of funding.**
- **Measure directly the economic benefits of alternative funding strategies and specific freight improvements:**
  - **Will likely require additional budget;**
  - **Acquire REMI Policy Insight to analyze economic impacts of new revenue sources; and**
  - **Use REMI Policy Insight or acquire TREDIS to analyze economic benefits of new investments.**

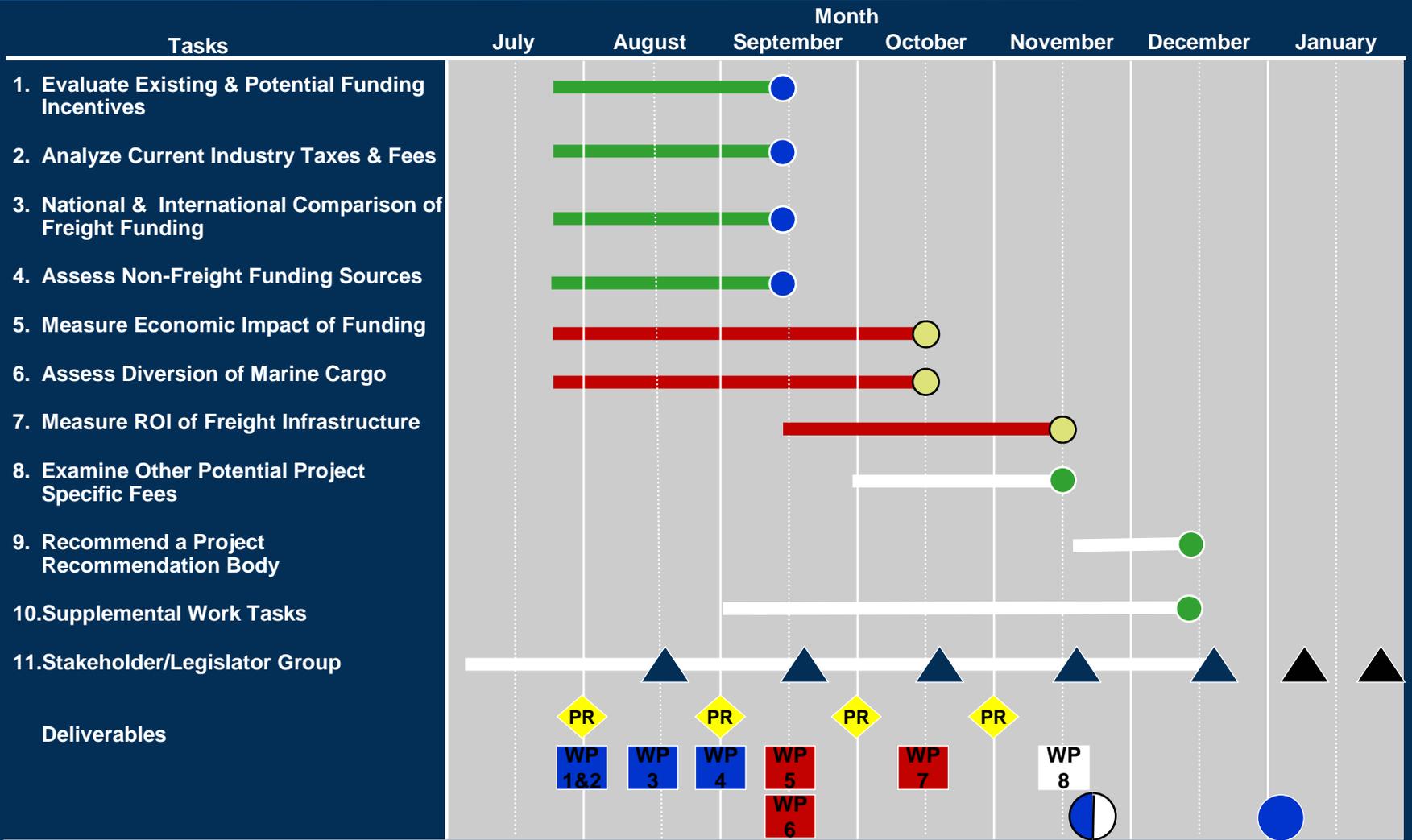
# Project Selection and Stakeholder Facilitation

## Task 11 – Stakeholder and Policy Groups

- **Facilitation of the Stakeholder Group**
  - Prepare meeting agendas and presentations.
  - Interview stakeholders before 1<sup>st</sup> meeting and after last meeting.
  - Record stakeholder comments made outside of the formal meetings.
- **Facilitation of the Policy Group**
  - Prepare meeting agendas and presentations.
  - Provide summaries of stakeholders comments.
  - Respond to Policy Group requests for information.

# Overview of the Study

## Study Schedule



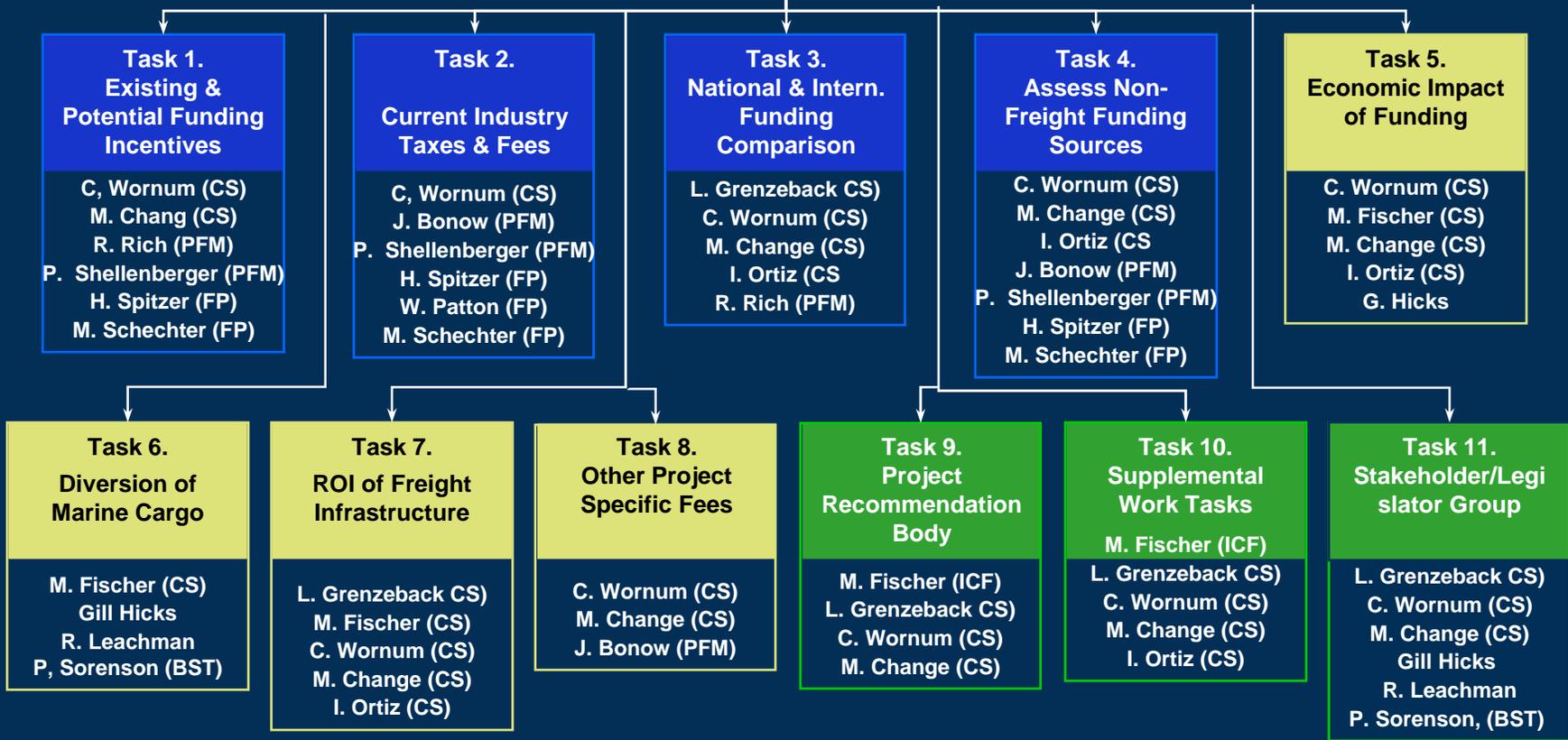
- 15 ■ ● Research Tasks
- ● Economic Tasks
- ● Other Tasks
- ▲ Stakeholder Group Meetings
- ▲ Presentations to Legislature
- ◆ Progress Reports
- WP Working Papers
- Draft Final Report
- Final Report

# Cambridge Systematics Team Roles and Responsibilities

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

**Cambridge Systematics, Inc.**  
 Lance Grenzeback  
*Principal-in-Charge*  
 Chris Wornum  
*Project Manager*  
 Mark Chang  
*Deputy Project Manager*

**Policy Group  
 JTC Staff Group**



# 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 Membership

- 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.
- 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

# 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**
  - Review of data;
  - Assumptions of the diversion model; and
  - Providing feedback to consultant team.

# Additional Roles of Stakeholder Group

- Provide technical advice to consultant team.
- Provide information, data, and industry expertise.
- Represent interests of various constituencies.
- Work toward agreement on project selection process.
- 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 Pier Pass in PNW.**
- **Pier Pass 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

Need for Additional Investment in Freight Infrastructure → None

Yes

Project Priorities by Industry/Supply Chain

Agriculture

Retail

Wood Products

Manufacturing

Auto

Benefits to Sector by Project

Intermodal

Ports & Terminals

Highway

Rail



Funding Sources & Programming Responsibilities

# Freight Congestion Relief Projects

## Develop a Process for Identifying & Ranking Priorities

- Objectives of a selection process
- Existing selection processes
- Project selection issues

# Process for Identifying & Ranking Priorities

## Objectives, Existing Concepts, and Issues



### Objectives

#### Private Sector

- Direct participation
- Limited participation
- Close nexus
- Short-term Implementation
- Competitively neutral

#### Local Jurisdiction

- Limited control
- Connected to development goals
- Community outreach

#### State Government

- New private money
- Funding liabilities
- Private & federal leverage
- Targeted economic benefits

# Schedule of Stakeholder & Policy Group Meetings



# Adjournment