JTC Freight Investment Study
Second Policy Group Meeting

presented to

Freight Financing Study Policy Group

presented by

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October 30, 2007

Transportation leadership you can trust.

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Agenda

- Welcome and Opening Remarks (1:30-1:40)
- Self-Introductions (1:40-1:45)
- Stakeholder Issues with Study Objectives (1:45-2:00)
- WSDOT Freight Systems Division Strategic Planning (2:00-2:10)
- Coordination of Freight Strategic Plan with JTC Study (2:10-2:45)
- BREAK—15 minutes (2:45-3:00)
- Issues with Project Evaluation & Funding Process (3:00-3:15)
- Example Processes to Evaluate & Prioritize Freight Investments (3:15-3:30)
- Discussion of Select Freight Projects in Washington State (3:30-4:10)
- Schedule, Next Steps (4:10-4:30)
- Adjournment

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Study Objectives & Stakeholder Issues

- **Study Objectives:**
  - Review the state's current transportation finance structure and planned transportation system infrastructure improvements
  - Examine institutional arrangements for identifying freight congestion relief projects
  - Identify and evaluate funding sources to improve freight movement in the state

- **Stakeholder Issues:**
  - Economic growth vs. congestion relief
  - Focus on international cargo vs. regional economies vs. local delivery
  - This study's project selection vs. integration with the Strategic Freight Plan
  - Accounting of Private industry funding versus current freight investment

Study Products & Stakeholder Issues

- **Study Products:**
  - **Preferred mechanisms for freight project identification, prioritization, and coordination**
  - **Finalize a process for identification of beneficiaries and apportionment of costs and funding**
  - **Specific options and recommendations for the Legislature to fund existing and future freight mobility projects**

Guiding Principles & Stakeholder Issues
Freight Project Funding

- **Guiding Principles**
  - Projects for which costs exceed expected benefits should not be funded
  - Project level benefit-cost analysis will support negotiations between stakeholders, but allow flexibility for larger strategic goals
  - Funding packages will be structured in accordance with expected benefits to the state-wide population, local jurisdictions, and private sector

Developing Washington State's Strategic Plan for Freight Systems

Paula Hammond
Secretary

Steve Reinmuth
Chief of Staff

Barbara Ivanov
Director
Freight Systems Division

Scott Witt
Director
State Rail and Marine

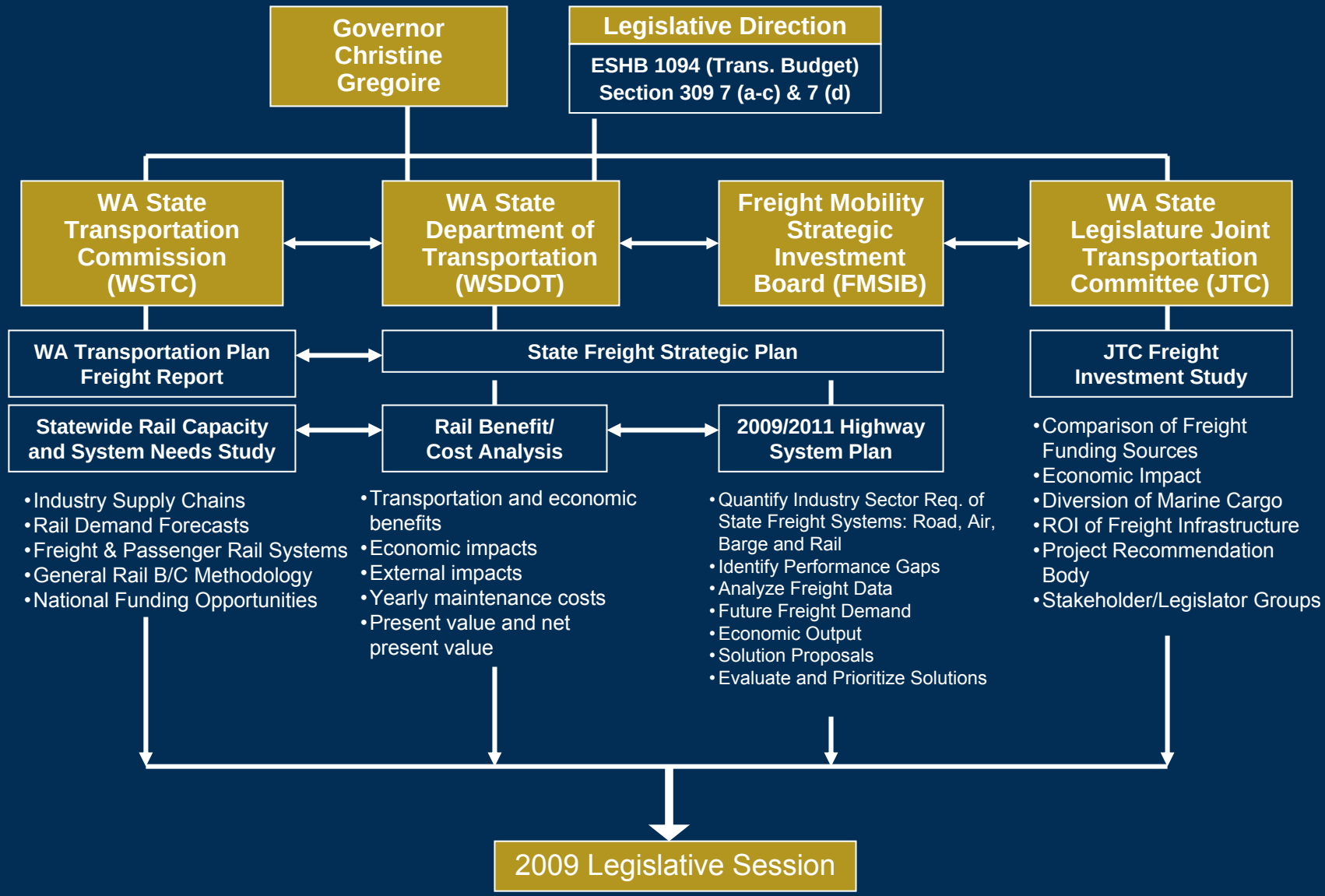
Joint Transportation Committee
Freight Investment Study Policy Group
October 30, 2007

Washington State Department of Transportation

Why Does Washington State Need a Strategic Plan for Freight Systems?

- There are investment constraints:
  - political,
  - financial, and
  - economic.
- Washington State's freight systems strategic plan must:
  - Balance the cost of investments with resulting economic output;
  - Direct limited resources to their most productive use; and
  - Set clear priorities linked to the growth of jobs and the state's economy.

Washington State Freight Strategic Plan
WSDOT Work Program 2007-2009



Washington State Freight Strategic Plan
Highway Strategic Planning Timeline

2007 Transportation Budget Section 309 7(d) states that: "The department (WSDOT) and the freight mobility strategic investment board (FMSIB) shall submit a report to the office of financial management and the transportation committees of the legislature by September 1, 2008, listing proposed freight highway and rail projects. The report must describe the analysis used for selecting such projects…"

JUNE 2008
WSDOT Freight Systems Division identifies current freight system deficits and determines future demand.

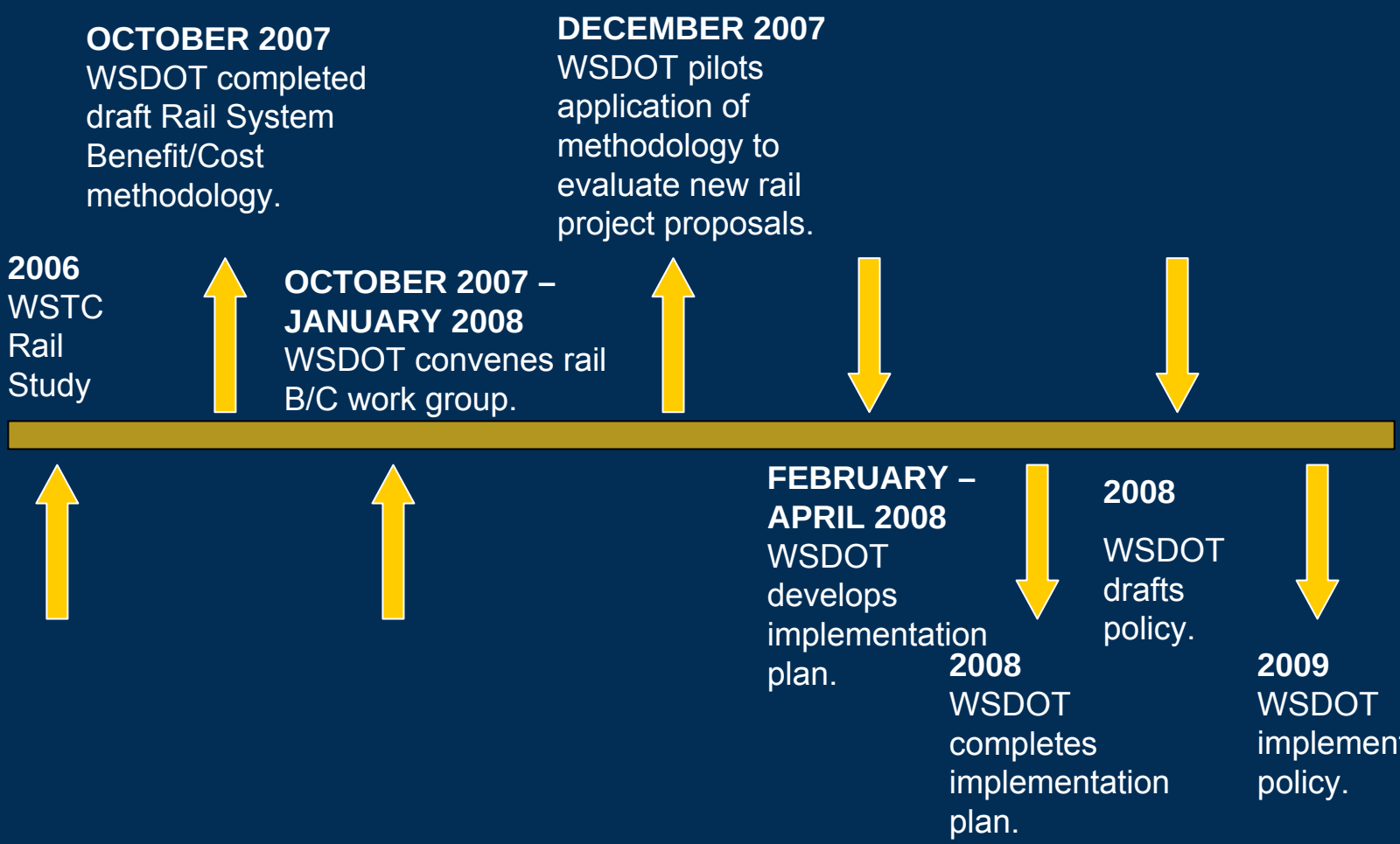
WSDOT Regions develop highway solution proposals for consideration.

AUGUST 2008
WSDOT executive team, working with OFM, sends 2009/11 Highway System Plan proposals to the Governor's Office.

SEPTEMBER 2008
Joint WSDOT and FMSIB report describing analytic method and listing proposed freight highway and rail projects to OFM & Transportation Committees.

Washington State Freight Strategic Plan
Freight Rail Cost/Benefit Analysis Timeline

2007 Transportation Budget Section 7(a)-7(c) states that: "The department (WSDOT) shall develop a standardized format for submitting requests for state funding for rail projects that includes an explanation of the analysis undertaken, and conclusions derived from the analysis."



Next steps……..

For more information:
www.wsdot.wa.gov/freight

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Email: freight@wsdot.wa.gov
Web: www.wsdot.wa.gov/freight

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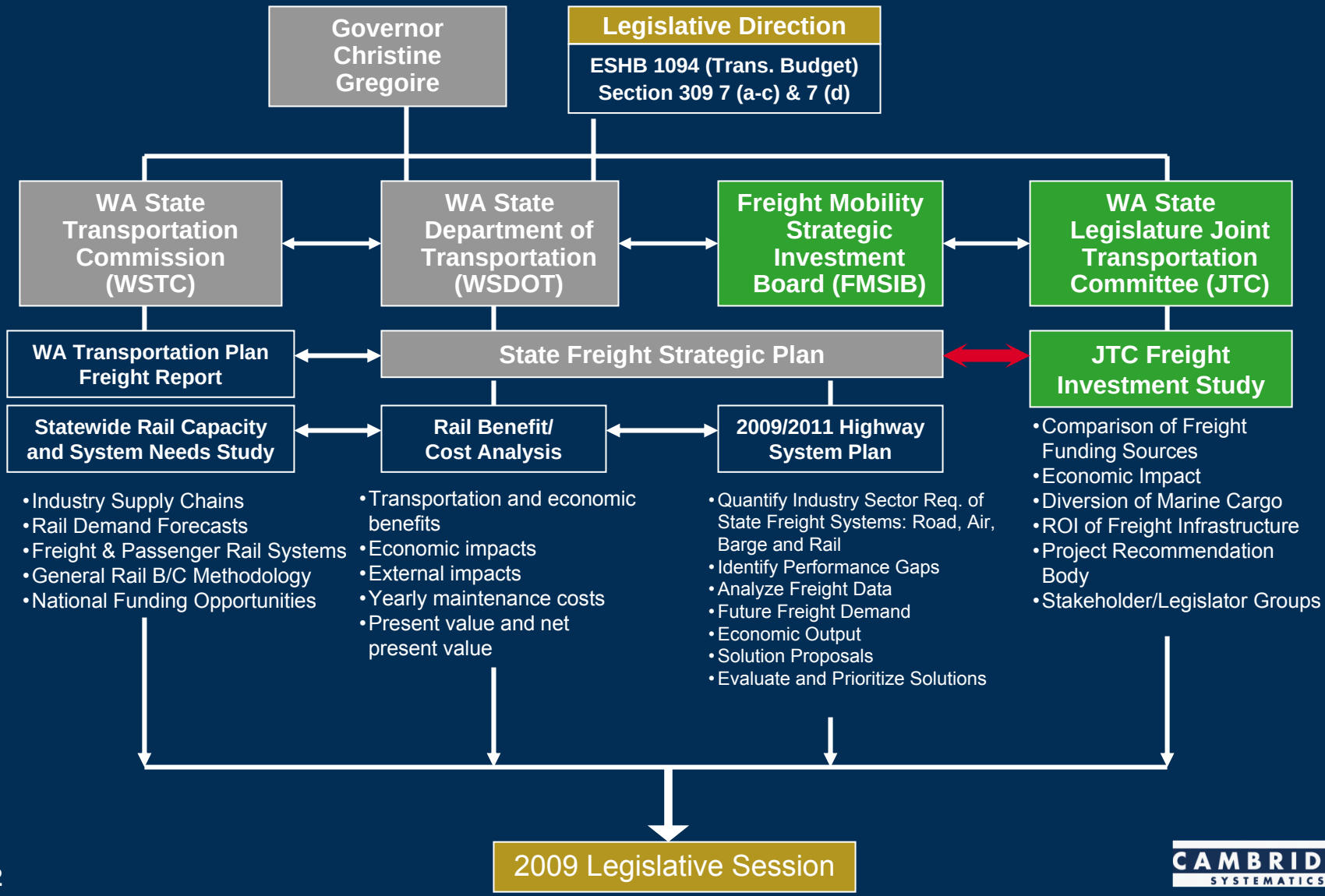
Coordination of WSDOT Freight Strategic Plan with JTC Freight Investment Study

- Synchronizing schedules and workscopes
- Other actions that will affect Freight Investment Study

Washington State Freight Strategic Plan
Coordination with JTC Freight Investment Study



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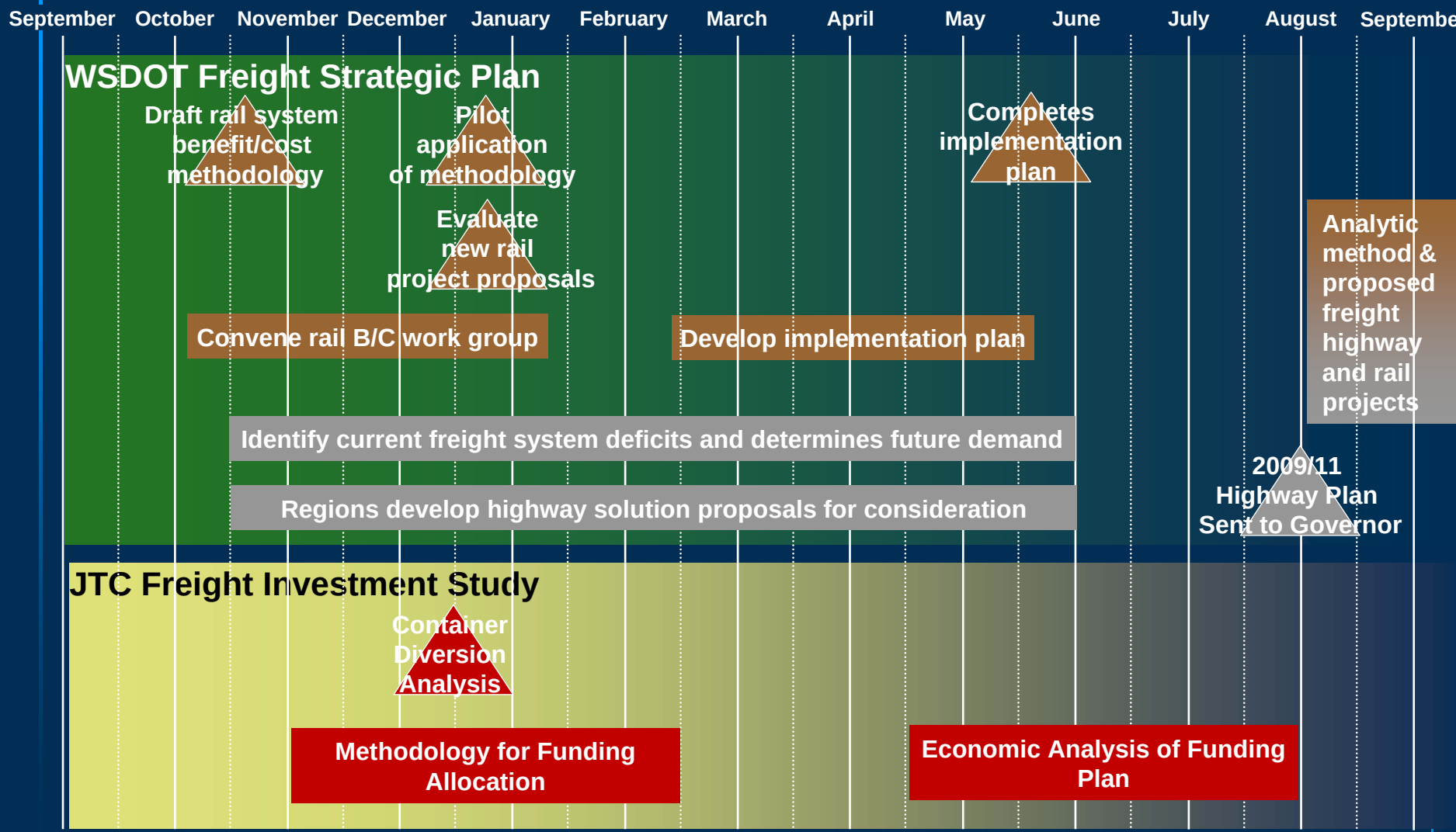
Washington State Freight Strategic Plan
Coordination with JTC Freight Investment Study



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Break

Project Evaluation & Funding Process
Private Stakeholder Issues

- Stakeholder Concerns Regarding Freight Bottlenecks
- Economic Impacts of private funding

Project Evaluation & Funding Process
WSDOT and Legislature Issues

- Determining private sector benefits
- Clarification of project selection as part of the Strategic Plan

Example Processes to Evaluate and Prioritize Freight Investments

- FMSIB
- Washington State Rail Capacity & Systems Needs Study
- Office of Financial Management (OFM) Input-Output Model
- Washington State Freight Strategic Plan
- Out of State Examples
  - USDOT Economic Impact of Large Scale Freight Investment
  - Highway Economic Analysis Tool (HEAT)
  - Florida SIS

Example Processes
FMSIB Project Evaluation Criteria

Project Evaluation Criteria	Weight
Freight Mobility for the Project Area	35 Max
Freight Mobility for the Region, State, & Nation	35 Max
General Mobility	25 Max
Safety	20 Max
Freight & Economic Value	15 Max
Environment	10 Max
Partnership	25 Max
Consistency with Regional & State Plans	5 Max
Cost	10 Max
Special Issues	8 Max
TOTAL	188 pts

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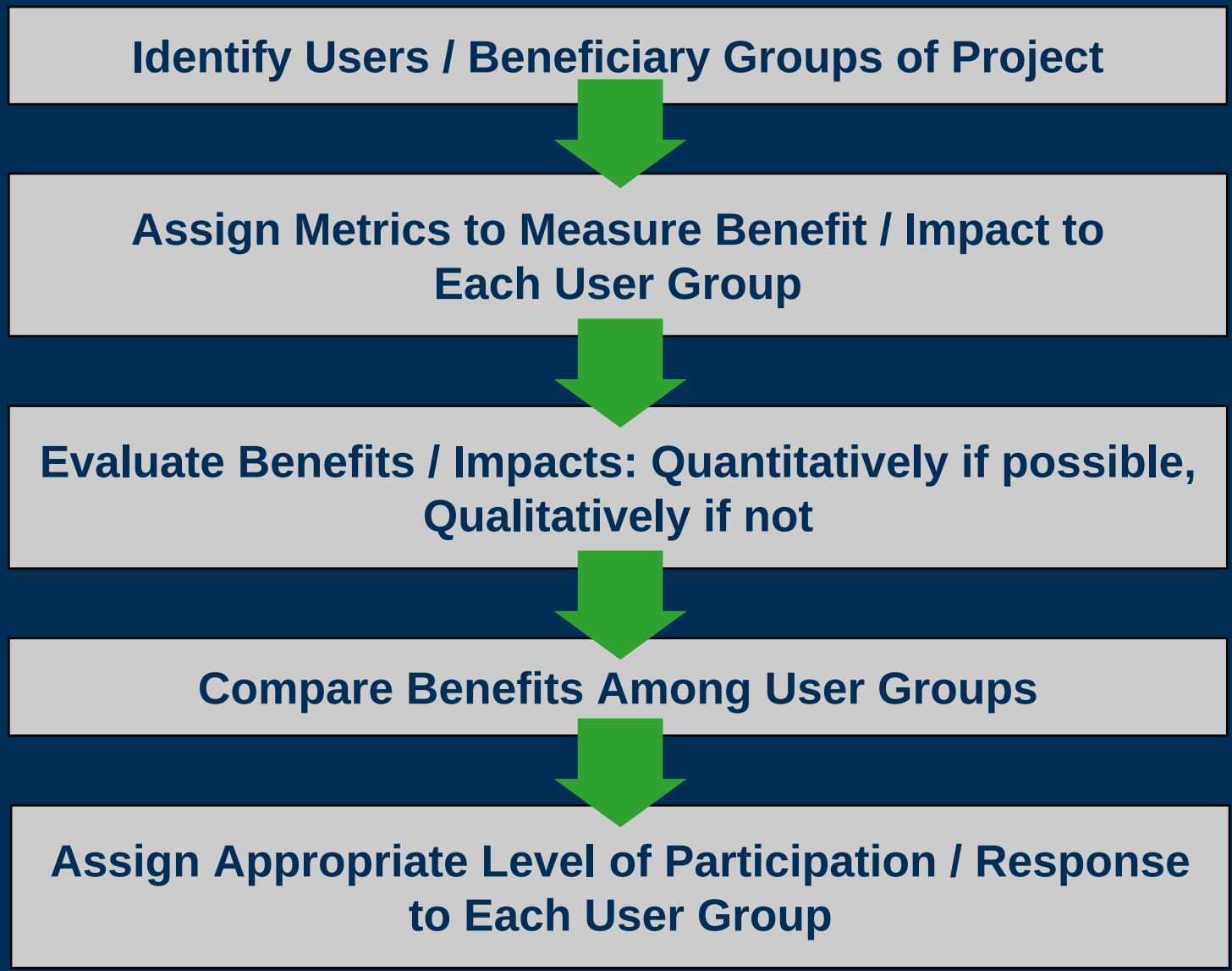
Example Processes
WA Rail Study Benefits Analysis Framework



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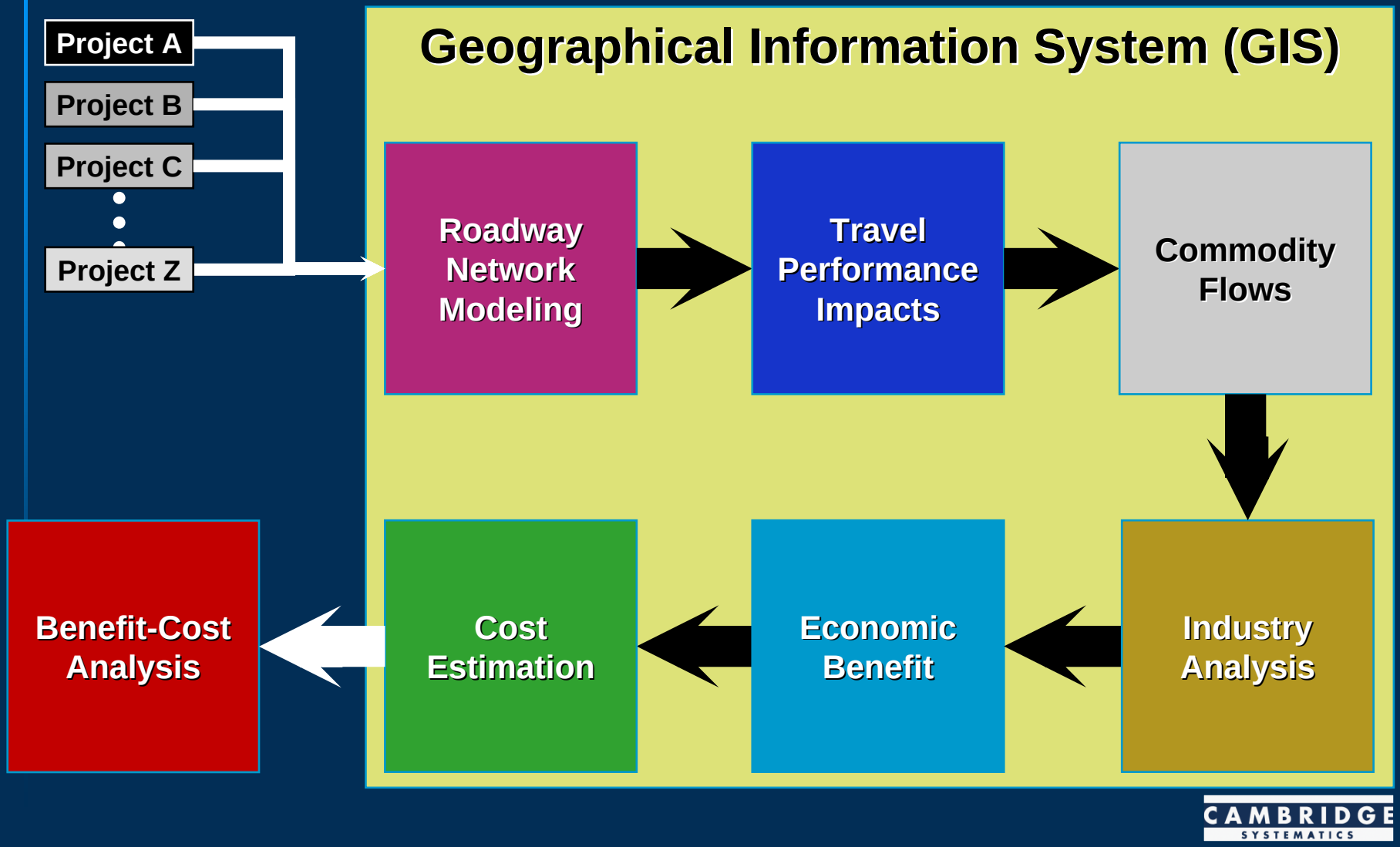
Example Processes
OFM Input-Output Model

- OFM Input-Output Model:
  - Estimates how direct spending will ripple through the state economy, resulting in:
    - Indirect effects on other business sectors (employment, earnings)
    - Consumption effects from additional household income
  - Data Requirements (in dollars):
    - Total and in-state purchases of construction materials
    - Number of project staff and wages
    - Equipment, transport, and other expenses
- Current model is based on 1997 data (i.e., Economic Census, Commodity Flow Survey) by industrial sector (both SIC and NAICS codes). Model updates are underway to reflect 2002 data

HEAT Structure
Seven Linked Analytical Modules



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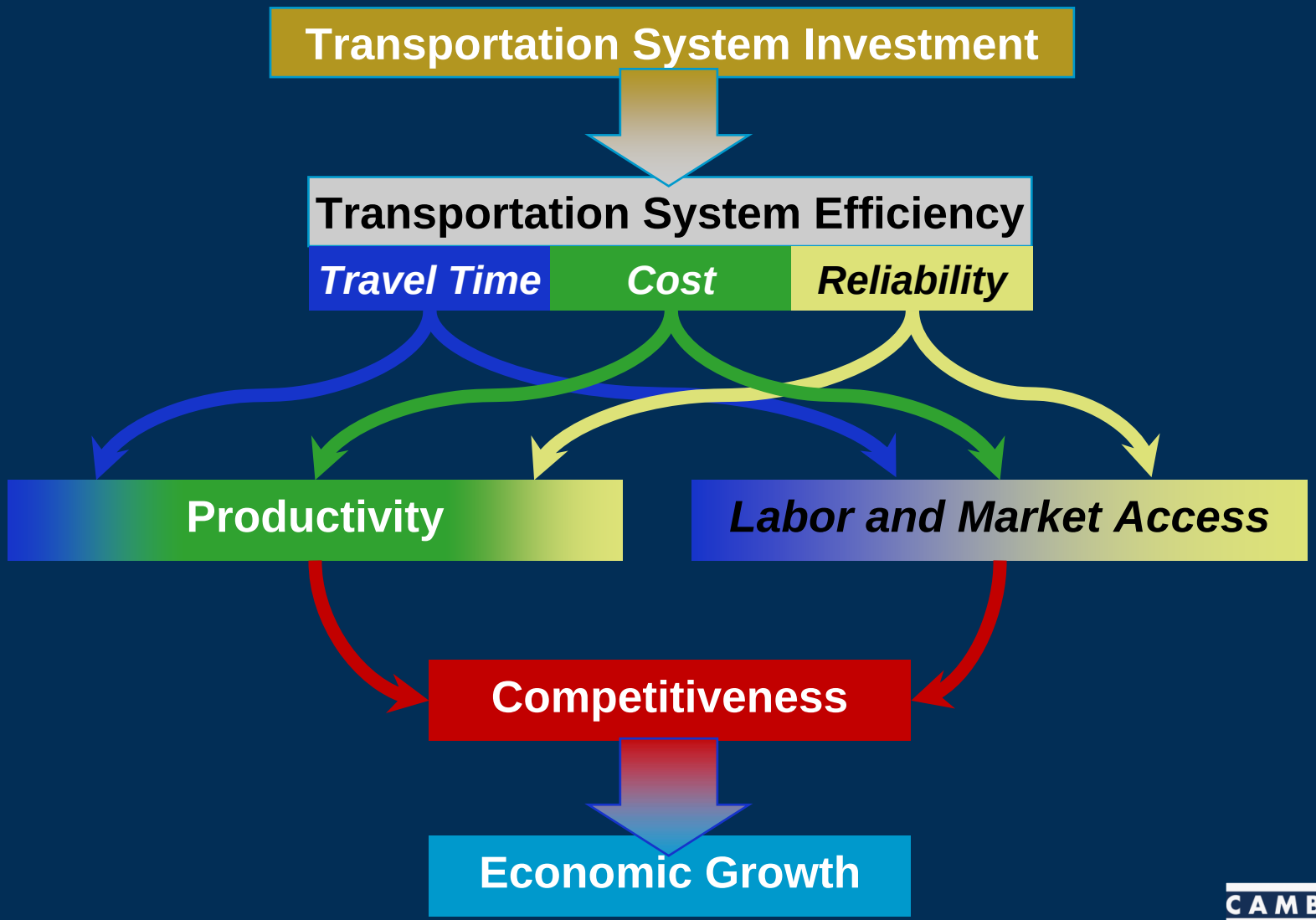
Freight Infrastructure and Economic Growth
Role of Public Sector Investment & Policy



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Discussion of Sample Freight Projects
Stampede Pass

- Case study of East-West Capacity Improvements:
  - Improve Stampede Pass to allow for double-stack containers
  - Restore Old Milwaukee line from Ellensburg to Lind
  - "Bridging the Valley" improvements between Spokane & Sandpoint, ID

- Three Alternatives Evaluated:
  - Do Nothing
  - Alternative A: $350 million for selective capacity improvements (about 25% more capacity)
  - Alternative B: $1.5 billion for comprehensive capacity improvements (about 60% more capacity)

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Stampede Pass Example (continued)
User & Beneficiary Groups

User & Beneficiary Groups	Metrics
The State	• Jobs • Tax Benefits • Environmental Impacts • Safety Impacts
Shippers	• Service Reliability • Transit Time • Cost
Passengers	• Travel Costs • Travel Time • Increased Modal Choice
Railroads	• Train Delay • Increased Revenue Traffic • Equipment Availability
Ports	• Throughput • Market Share
Communities	• Environmental Impacts • Safety Impacts • Local Jobs • Reduced Delay

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Stampede Pass Example (continued)
Qualitative Measures of Benefits to Stakeholders

	No Action	Alternative A	Alternative B
State	Low	Medium	Low
Shippers	Low	Medium	High
Passengers	Low	Low	Medium
Railroads	Low	Medium	High
Ports	Low	High	High
Communities	Low	Medium	Medium
National	Low	Medium	High

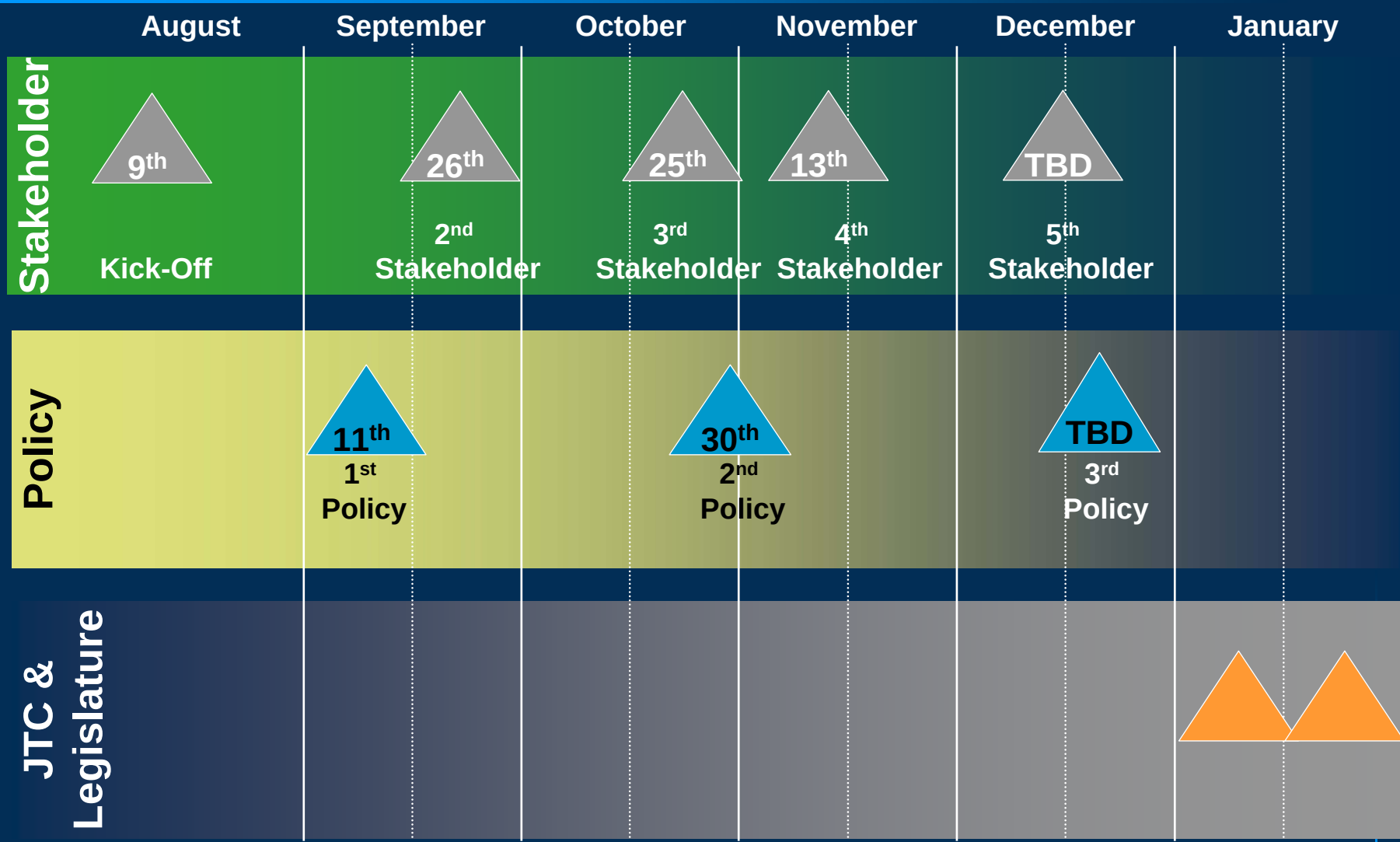
Stampede Pass Example (continued)
Identification of Beneficiaries

- State: Benefits from additional jobs, partially offset by increased emissions
- Communities: Benefits from additional jobs, partially offset by increased rail traffic
- Ports and Railroads:
  - Primary beneficiaries
  - Ports: increased imports and exports
  - Railroads: increased revenue from additional trains, reduction in congestion-related costs

Stampede Pass Example (continued)
Possible Refinements to Benefit/Cost Methodology

- **Fully Quantify Economic Benefits of Jobs Created and Maintained:**
  - REMI Model
  - Input-Output Model (IMPLAN, OFM Model)
- **Fully Quantify Impact of Any Trucks Diverted to Rail:**
  - Use Highway Economic Requirements System (HERS) model to quantify impacts to highway system
- **Justify Planning Horizon:**
  - This case study was based on a 10-year planning horizon

Schedule of Stakeholder & Policy Group Meetings



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Adjournment