

Washington Freight Advisory Committee

Federal & State barriers

- "An assessment of statutory, regulatory, technological, institutional, financial, and other barriers to improved freight transportation performance (including opportunities for overcoming the barriers.)"

U.P. Railroad – Federal Impediments

- 1. New or increased diesel fuel taxes
- 2. Positive Train Control (PTC) mandate with the FRA-imposed 2008 baseline year for lines carrying certain toxic materials, and without the "de minimis" exemption for those lines
- 3. Federal legislation promoting the switching of power generation plants from coal to natural gas allowing utilities to pass the conversion costs on to customers
- 4. Federal legislation to increase the size and weight of freight trucks on taxpayer roads without proper reimbursement for damages caused to those roads
- 5. Federal legislation that increase freight rail rate and pricing regulation
- 6. Federal legislation eliminating the limited freight railroads' antitrust exemptions
- 7. Federal legislation to force freight railroads to allow open access to competing railroads
- 8. Poor planning to preserve freight rail corridors
- 9. Harbor Maintenance Tax: Import diversion harms state exports.

U.P. Railroad – State Impediments

- 1. Increased property taxes
- 2. New or increased diesel fuel taxes
- 3. State legislation promoting the switching of power generation plants from coal to natural gas allowing utilities to pass the conversion costs on to customers
- 4. State legislation to increase the size and weight of freight trucks on taxpayer roads without proper reimbursement for damages caused to those roads
- 5. Limited real estate available for needed expansion of existing urban rail yards and facilities due to encroachment from developments, as well as poor planning to preserve freight rail corridors
- 6. State regulations that force the redirection of capital away from terminal efficiency improvements.

UP Railroad - strategies to improve freight intermodal connectivity

- 1. Comprehensive federal freight policy
- 2. Improve planning to protect property for intermodal terminal expansion/Strengthen GMA to protect strategic freight corridors or port districts
- 3. Protect large real estate locations close to urban areas that can accommodate rail operations
- 4. Improve communications and processes for railroads and road authorities to work together to improve terminal connectors
- 5. Introduction of automatic gate systems



At-Grade Rail Crossings

Freight Advisory Committee

May 13th, 2013

Ashley Probart

Deputy Director

Freight Mobility Strategic Investment Board

National Freight Network



The Interstate System is the National Freight Network
(@47,000 miles)



27,000 miles will be designated as the Primary Freight
Network



3,000 additional miles will be added to include segments
critical to the future of moving goods



State-designation of critical rural freight corridors

Freight Inventory



- Inventory of freight deficiencies including bottlenecks, poor roadways, safety hazards and other freight performance problems.
 - Both Federal and State Eligibility
 - WSDOT, MPO, RTPO, (Cities & Counties)
 - Washington Trucking Association
 - Washington Public Ports
 - Freight Generators (Boeing and other shippers)
- Infrastructure
 - **At-grade rail crossings**
 - Access to port, rail yard, distribution centers or truck terminals (first and last mile connectors)
 - Weight restricted roadways
 - Structurally deficient & functionally obsolete bridges

Road/Rail Intersection Deficiencies



Key findings:

- At-grade rail crossings vary in priority relative to overall transportation priorities
- Few have identified or secured funding
- There are projects and crossings that do not fit criteria, but must be identified. For example:
 - SR 167/SR 509
 - Gray Harbor County: Aberdeen vicinity
 - Canyon Road (Pierce County)
- There is more than one solution:
 - Marysville example
 - Wenatchee example
- (Current) MAP-21 federal funding criteria is a limited incentive

Road/Rail Intersection Deficiencies: At-Grade Rail Crossings



At-Grade Rail Crossings:

- Over 2,800 in Utilities and Transportation Commission Database
- Most are in unincorporated areas

Criteria:

- Within City limits-resulted in approximately 450 At-Grade Rail Crossings
- Rail: On BNSF & UP lines carrying 5 M tons or more annually
- Roads:
 - High: T-1 or T-2 roadway crossing tracks (more than 4 million tons annually)
 - Other factors – i.e. emergency vehicle route, downtown principal arterial, high accident location
 - Medium: T-3 roadway crossing tracks (300,000 to 4 million tons annually)
 - Near an industrial area, port access, rail yard access, airport air freight access, other compelling conflict, accident location
 - Low: T-4 or lower roadway, secondary route (100,000 to 300,000 tons annually)
- Cost estimates if available

Road/Rail Intersection Deficiencies



MPO/RTPO used criteria, existing information within their respective adopted plans, and worked with their membership to review data.

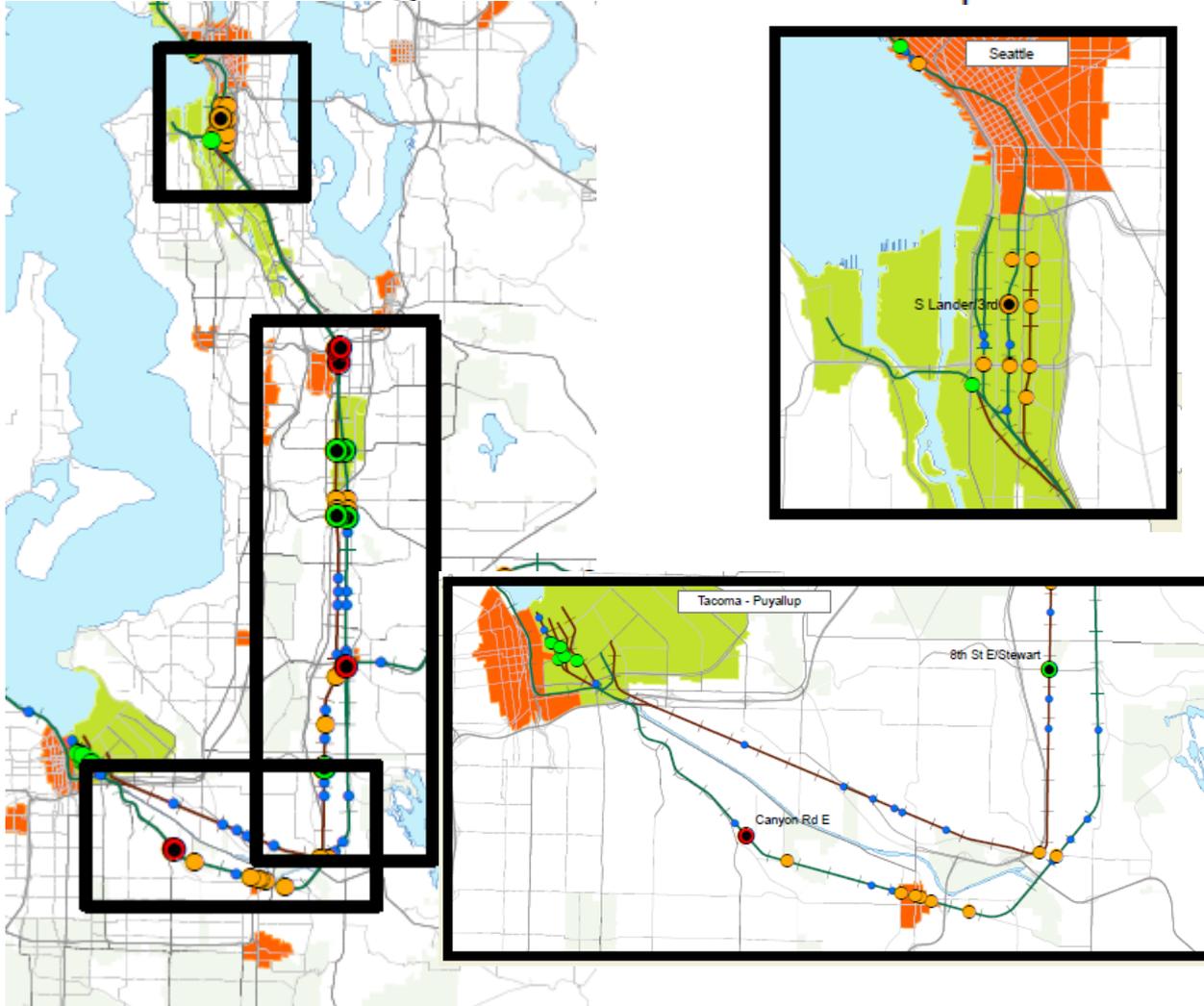
Results to date:

- 110 have been identified; over half do not have cost estimates.
- 57 are still under review/incomplete (fewer than twenty are likely to meet criteria)
- \$1.1B and counting-most will require additional review, prioritization, then cost-estimates

Road/Rail Intersection Deficiencies



At-Grade Crossings and Planned Grade Separations on Mainline Railroads



DRAFT

At Grade Crossings

In plan grade separation	Not in plan	
		Heaviest tonnage truck routes
		On minor arterial and above
		New Facility
		All other crossings

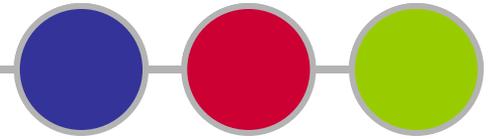
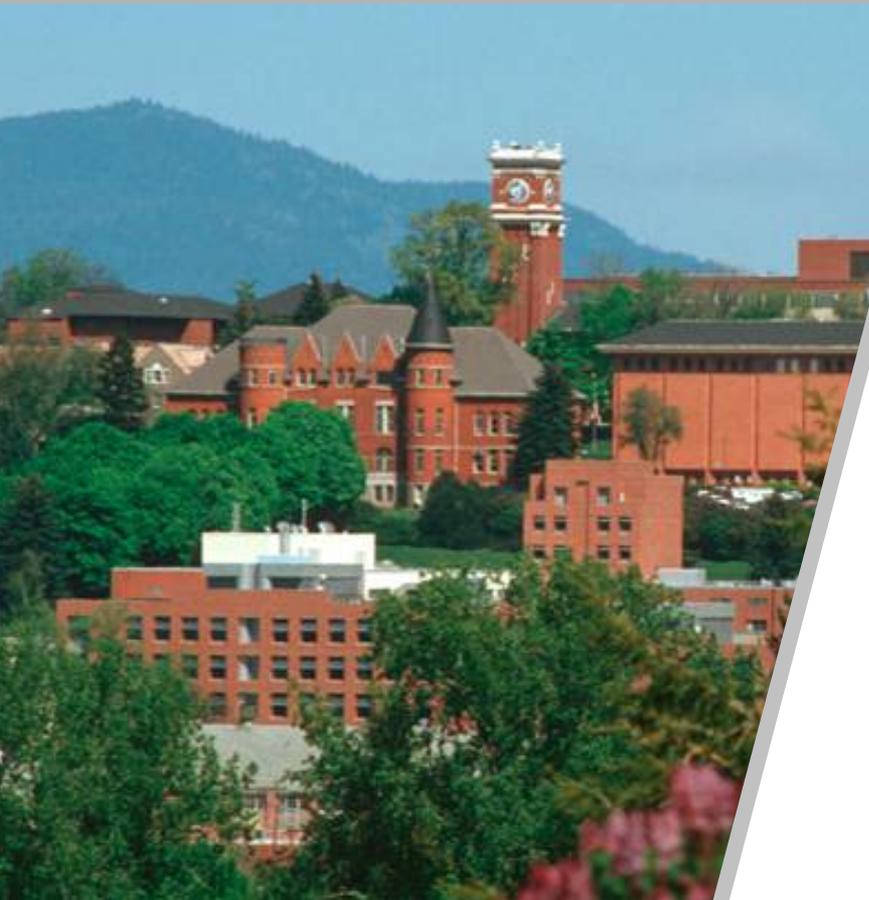
Mainline Railroads

- BNSF
- UP
- Heaviest Tonnage Truck Routes (T1, T2)
- Facility type minor arterial and above
- Regional Growth Center
- Manufacturing Industrial Center

Next Steps:



- Complete data collection
- Work with WTA, others to review, help prioritize
- Include information in final FAC documents
- Communicate information to federal and state policy makers



Trends in Agricultural Production, Exports and Transportation in Washington State

**Freight Mobility Strategic
Investment Board.**

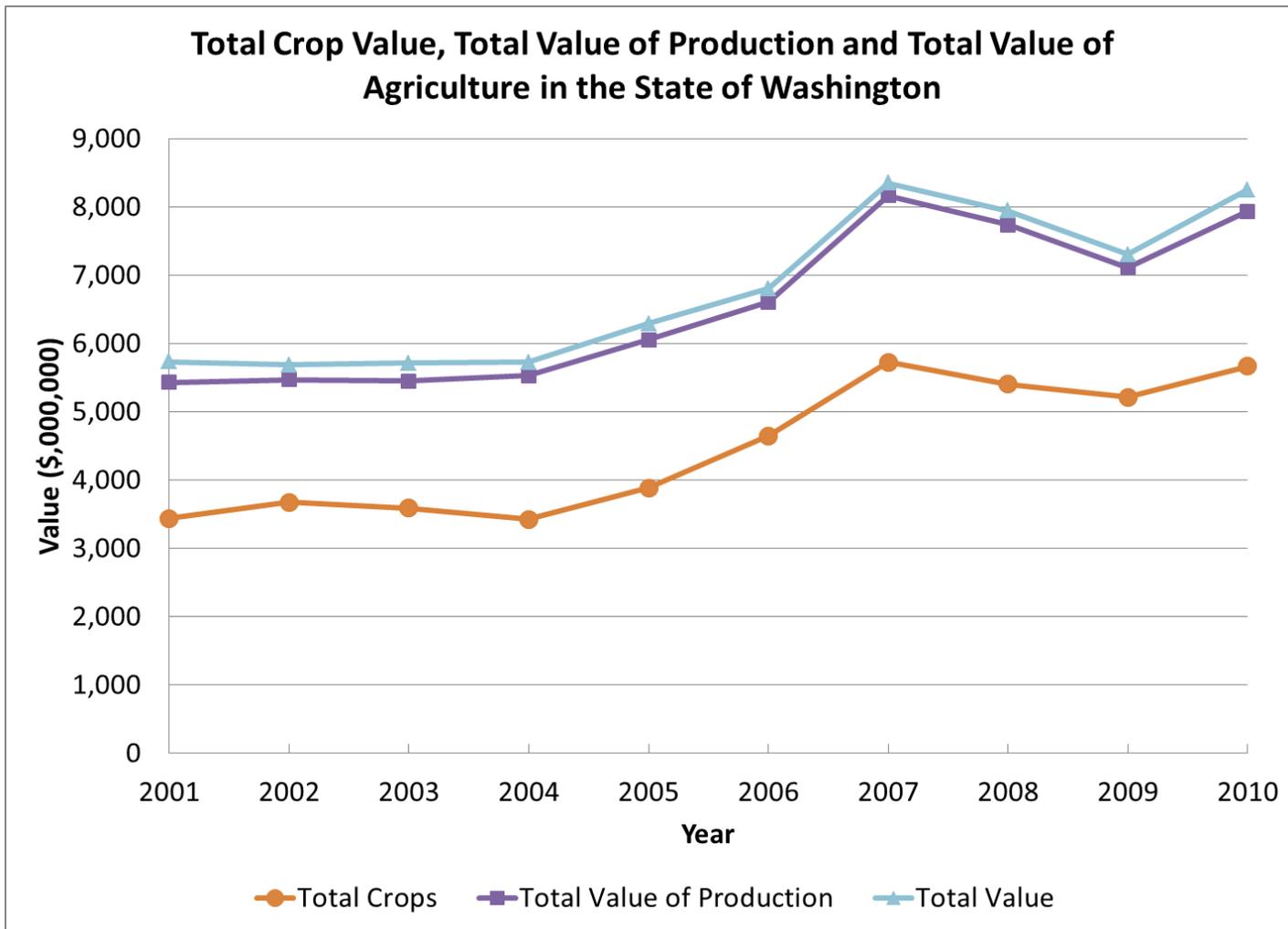
May 13 2013

**Peter Tozer, Tom Marsh
IMPACT Center, WSU.
Jeremy Sage, FPTI, WSU.**

Agriculture in WA

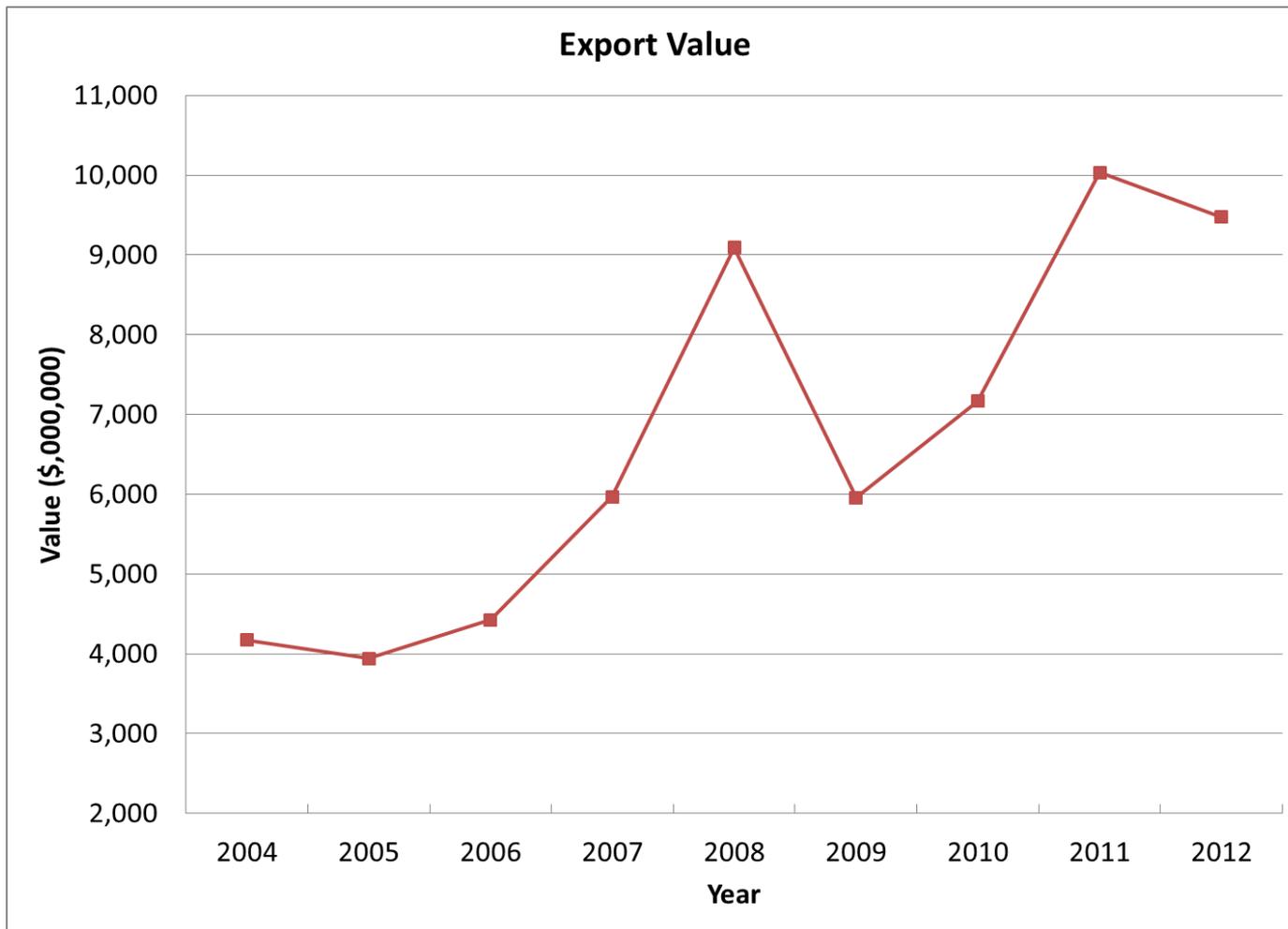
- **Currently generates about \$8 billion in value.**
- **Exports worth around \$10 billion -**
 - **value adding effect and other state's production.**
- **Significant portion of production value is from crop production.**
 - **Field crops**
 - **Tree fruits**
- **Livestock products are also significant contributors to production value.**

Total Values





Agricultural Export Value

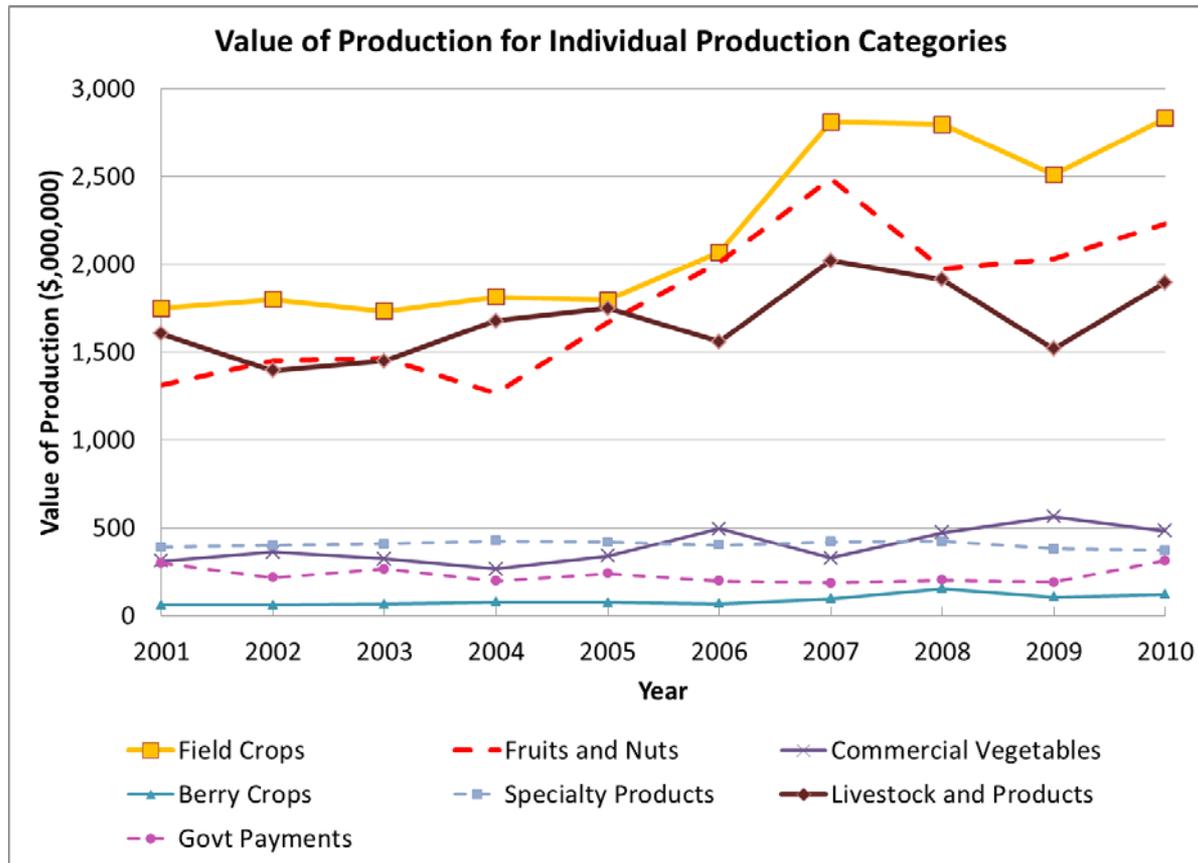


Individual Contributions

- **Volume of production –**
 - **What's got to be moved.**

- **Value of production –**
 - **What's going to move.**
 - **Costs of moving what's produced.**

Individual Contributions



Individual Contributions

- **Field crops – Wheat, potatoes and more lately corn for grain.**
- **Tree fruit crops – apples, cherries, grapes. Also, some pears.**
- **Livestock products – Milk and eggs.**

Individual Contributions

- **Apples –**
 - **#1 crop in state and WA is largest apple producer in US.**
 - **Value variable but on upward trend.**
 - **Fresh market expanding – domestically and internationally.**
- **Wheat –**
 - **Largest crop by area.**
 - **Export oriented.**
 - **Value variable – but increasing.**

Individual Contributions

- **Milk –**
 - **Production increasing, cow numbers slightly higher.**
 - **Change in value of production in real terms lower, but highly variable.**
 - **Exports of milk products highly variable, price sensitive markets.**
 - **Cheese exports increasing, but from low base.**

Individual Contributions

- **Potatoes**

- **Area relatively constant, yield up slightly.**
- **Production up slightly.**
- **Real value of production down.**
- **Growth area in processed potato products, particularly for export – increase of over 300% over period 2001 to 2011.**

Which Products are Trending up

- **Cherries –**
 - Production expanding and still growing.
 - Value increasing significantly.
 - Exports driving market.
- **Corn grain -**
 - Production expanding, yield increasing.
 - Exports rising.
- **Onions**
 - Area expanding, slight change.
 - Domestic market.

Which Products are Trending up

- **Blueberries**
 - **Big expansion in production in last several years.**
 - **Domestic market?**
- **Eggs**
 - **Gradual expansion in hen numbers.**
 - **Domestic market production.**

Which Products are on the way out?

- **Asparagus**
- **Barley**
- **Grass seed**

Implications for Transport

- **Most growth in agricultural production in fresh or processed horticultural products.**
- **Limited storage life – rapid delivery to consumers.**
- **Other crops still need to get to market**
 - **Wheat, apples, milk**

Implications for Transport

- **Changes in way some products are moved.**
 - **Grain now moving by rail.**
- **Some agricultural products being exported are from outside the state**
 - **WA is now a significant exporter of soybeans and soybean products**

Implications for Transport

- **Fuel prices and production**
 - **Fuel prices affect competitive pricing for WA products.**
 - **For example. most apples from WA go into fresh market, domestic and export.**
 - **Rising fuel prices could reduce profitability of production.**



Questions/Comments?

Economic Impacts of Freight

Tom Trulove

Economics Department Chair,
Eastern Washington University

Who will use the analysis?

- The Legislature?
- Transportation Planning Agencies?
- Economic Development Advocates?
- Project Selectors such as FMSIB?

For What Will Analysis Be Used?

- Justify more resources for freight mobility?
- Long Range Transportation Planning?
- Overall Economic System Planning?
- Land Use Planning?
- Justify Infrastructure for Economic Growth?
- Ranking Individual Projects?

Comments on the WSDOT/WSU Economic Impact Study

- “Economic Impact of Truck Congestion on the Washington State Economy” (Exec. Sum.)
- “The Economic Impact of Increased Congestion for Freight Dependent Businesses in Washington State” (full study)

WSDOT Study

- Tool for System Planning
- Perhaps for distribution of resources among various programs
- Perhaps for distribution of freight mobility resources among various regions
- For convincing legislature of freight mobility's importance to the economy

WSDOT Study

- Used sophisticated Economic Impact Analysis
- Employs input-output modeling (IMPLAN)
- Seeks economic impact of congestion caused inefficiencies
- Tries to capture direct and indirect employment and income effects
- Looks at both entire state and its regions

WSDOT Study

- Innovative approach to impact analysis
- Analyzes “value” of inefficiency, not one time hit of expenditure injection or loss
- Requires building a model incorporating assumed reactions of decision makers (shippers, truckers, consumers, etc.)
- Assumed reactions based on survey results

WSDOT Study

- Comprehensive, ambitious undertaking – economists grade high
- But, questions do arise, and have
- Deal with definitions of terms
- Plausibility of assumptions
- Potential uses and misuses of conclusions

WSDOT Study -- Questions

- What are “Freight Dependent Businesses?”
- Are the perspectives of truckers and shippers the same
- Are survey results accurate or is more analysis required?
- Were all possible reactions considered?

WSDOT Study - Survey

- How should congestion costs be distributed?
- Passed on to freight service consumers?
- Absorbed by trucking firms?
- Passed to household consumers?
- Forced route changes or other adjustments?
- Differ by type of trucking?

WSDOT Study – Congestion Costs

- Efforts to counter congestion create jobs, expenditures and incomes.
- Study treats them as benefits to be subtracted from congestion costs
- Consistent with National & Regional Income Accounting
- But, strange – many would think them a cost created by congestion

WSDOT Study – Use Limits

- Careful with regional use
- Impact analysis not useful at project level
- Each Project too small relative to economy
- Can't capture non-quantitative values
- Can't include future unpredictable economic possibilities

FMSIB Bottleneck Approach

- Is the project about freight? If not, get out of here.
- Do you have at least a 35% match? If not, get out of here.
 - Extra points if your match is more
 - Extra points if you bring in other partners
 - (the more partners and bigger match the more likely project is economically important)

FMSIB Bottleneck Approach

- Does the project improve freight mobility for the project area and for the nation?
- Does it improve general mobility?
- Does it improve safety?
- Does it enhance freight and economic value?
- Does it help improve the environment?

FMSIB Bottleneck Approach

- Is it consistent with regional and state plans?
- Is it a cost effective approach?
- Is it a least cost alternative?
- Attaching weights to a series of sub-questions insures economic values are given ample weight, but allows other issues and non-quantifiable values to be considered

Federal Economic Competitiveness

- Strengthen contribution of freight network to economic competitiveness of the U.S.
- Reduce Congestion
- Increase productivity and high value jobs
- FMSIB approach works well to accomplish these goals and allocate project funding

WSDOT Freight Plan

- One of WSDOT's tasks for its State Freight Plan is to "Explain Economic Context"
- If that means justifying expenditures on freight mobility, the impact study does that
- Or is it that more explicit economic analysis should be required for local projects?
- Some Benefit-Cost approach? We'll need to talk about that

Local Project Economic Issues

- What new approach is worth the effort?
- What questions are we not currently answering?
- Who requires the answers?
- Are the expected extra benefits worth the additional costs?
- What justifies placing extra burdens on local project proponents?

FREIGHT TRENDS



Trends Impacting Washington Freight: Market Share

Submitted by Mike Moore

- Washington State container ports are losing market share to Canada.
- Many container vessel calls in Seattle/Tacoma are secondary port calls with Canadian ports landing a higher percentage of first port calls prior to calling Washington ports
- Suez Canal impact:
 - Route shifts due to cost and shift in manufacturing;
 - Largest ocean carrier in the world will route cargo through the Suez. (loss of market share on the West Coast)
 - Heightens port competitiveness even further for Seattle and Tacoma from ports in Canada, California, Mexico and the Panama Canal expansion access to ports in the Gulf and East Coast.

Trends Impacting Washington Freight: Market Share

Submitted by Mike Moore

- Competitor ports are providing incentives to attract jobs and container throughput
- Market incentives towards consolidating port calls to decrease costs; vessel slot sharing agreements between competitors continues
- If Washington ports lose market share on import side then exporting will be more costly for Washington agriculture, manufacturing and businesses
- Challenges and costs of repositioning empties for exporters

Trends Impacting Washington Freight

Submitted by Mike Moore

- Increased volumes and varieties of freight on rail may likely mean more investment in capacity and efficiency
- Vessels are getting larger requiring some terminal/transportation infrastructure modifications over time as well as pilot/tug procedures/costs
- Changes in local zoning that squeezes capacity for distribution centers

Harbor Maintenance Tax

Submitted by Dan McKisson

- Diverts cargo to non US ports
- Lower imports results in loss of export capacity
- Funds not being spent – camouflaging deficit
- Allow saltwater ports to access funds, equalize tax across land borders
- The average HMT cost per TEU is \$134.

Rail Rates

Submitted by Dan McKisson

- The railroads have two ways to create capacity on a route.
- Infrastructure investment or adjust rates to create capacity.
- UP & BNSF lack competition on the US West Coast.
- The UP has a northern and southern route.
- With the BN and Santa Fe railroads merger the southern route has been the route of choice for the BNSF, controlled by rates.
- A recent study by the POS reported that between the HMT and rail rates it costs \$200 to \$400 more per TEU to ship a container through the NW compared to Canada.

Gentrification

Submitted by Dan McKisson

- Local land use zoning encroachment near ports and other freight carrier sites
- Loss of available land for expansion & support industries

Move towards “mega-ships” by global shipping lines

Submitted by John Creighton

- Ultra-large container ships able to carry 10,000 or more 20-foot equivalent container units (TEUs)
- Currently 120 mega-ships on order - combined capacity of 1.6 million TEUs, equal to 80% of current capacity
- Bigger ships cause ports to spend millions upgrading the infrastructure necessary to handle the largest vessels
- Mega-ships point to perceived economic, operational and environmental benefits.
- Pressure on all other parts of the supply chain

The move towards greater automation by US terminal operators

Submitted by John Creighton

- Ports and terminal operators must make upgrades in infrastructure to compete and handle the increased cargo throughput
- Increased containers = longer to unload/process
- \$61,000 for every day a mega-ship is in port.
- Need for more productivity/quicker turn-times
- West coast labor contracts give employers more flexibility to introduce automation

The growth in near-shoring,

Submitted by John Creighton

- Growing interest in Mexico as a manufacturing center.
- Latin America offers significant benefits compared to Asia, including increasingly competitive labor costs, cultural affinity, lower transportation costs and a young, skilled workforce.
- \$121 billion in combined imports and exports, Laredo, Texas is America's largest land-based port
- What extent will it impact the trans-Pacific container trade

Crude Oil Exports

Submitted by John Creighton

- All of the marine terminal ports in the state - Puget Sound, Columbia River and Grays Harbor - is the pending increase in crude oil exports by rail out of the Montana/North Dakota Bakken Fields.
- This cargo is already moving to North Puget Sound, and there are terminal proposals on the books at the ports of Tacoma, Grays Harbor and Vancouver. This cargo is going to increase.

Air Freight

Submitted by John Creighton

- 2012 - exports to Asia grew 11.2% over 2011, and set another record for Sea-Tac of nearly 31,000 metric tons.
- While Asia is up, Europe is down and domestic freight is up slightly
- Much of increase is due to perishable products from Eastern Washington

SeaTac

Submitted by John Creighton

- 57% of Asia tonnage is exports
- More than \$114 million worth of perishable fruit and vegetable products, weighing approximately 18,000 metric tons, was shipped by air in 2012
- Top export markets for perishables include Taiwan, South Korea, Japan, China, and Hong Kong,

Air Freight Capacity

Submitted by John Creighton

- 10 to 12 freighter flights to Asia per week on 3 foreign flag freighter operators (Korean, China Airlines, and EVA)
- Freighter capacity more than doubles seasonally accommodate the summer cherry export push.
- Strong belly-cargo uplift is provided by a total of 8 airlines operating frequent wide-body passenger routes to 7 city destinations in Asia and the Middle East

Air Freight Logistics

Submitted by John Creighton

- More than 160,000 jobs in Washington are in some way connected to air cargo, producing approximately \$8 billion in wages.
- SeaTac committed to increasing capacity for export tonnage - as International Export Gateway.
- Grow air freight logistics through strategic development of near-Airport properties to increase efficiency

Trucking Industry Size

Submitted by Sheri Call

- 1.2 M carriers nationwide – 63,000 in NW
- 7,000 in WA. – Diverse industry –not monolith
- TL, LTL, interstate, Interstate, private, for hire
- 8% of WA work force – truck related jobs

Trucking Performance

Submitted by Sheri Call

- 2007: trucks hauled \$8.3 trillion in merchandise
- 2011 tonnage - 9M tons (76% of all freight modes)
- Tonnage expected to rise as construction and housing industries recover

Truck Taxes

Submitted by Sheri Call

- 2009: \$14.3 B in total federal highway user taxes
 - Washington based carriers \$251M
- 2009: \$18.7 B in state highway taxes paid by trucks
- Oct 2011: Average cost for a 5-axle tractor semi trailer combination was \$5,221 nationally
 - Washington Truckers: \$8,900 average

Fuel Prices – Shifting to alternate fuels

Submitted by Sheri Call

- Average price per gallon from 10/11 – 9/12 = 33.7 cents
- Current fuel price rivals driver wages – # 1 business cost
- Alternate Fuel: Natural Gas use in future
 - Initially appears up front cost will be amortized over time – fuel savings
 - Government regulation and taxation – TBD

Driver Shortage

Submitted by Sheri Call

- USDOL Report: number of drivers declining
- Aging/retiring workforce
- Career/quality of life issues
- Age for career entry (18-21)
 - Currently no clear path for career after high school

Truck Parking

Submitted by Sheri Call

- Continued need for more safe, available truck parking
 - Lack of parking can lead to HOS violations
 - Lack of parking can lead to unsafe or illegal parking

Highway Infrastructure

Submitted by Sheri Call

- Washington State:
 - retain 18th amendment protections
 - Highway user fees used to enhance highway mobility

Congestion/Bottlenecks

Submitted by Sheri Call

- State & Feds need to target bottlenecks
- Increases fuel consumption
- Adds to labor & cost of maintenance
- May force operational changes

3rd Party Logistics

Submitted by Sheri Call

- Growing number of companies turning to third party logistics (3PL) to better manage supply chains
- Growing 3PL industry includes: warehousing, transportation brokerage and inventory management
- Recent survey said 65% of surveyed shippers said they would increase use of 3PL this year

Value of Air Cargo

Submitted by Larry Krauter

- Trade Facilitator
- Job Creator
- Transports \$6.4T worth of goods
- 35 percent of world trade by value
- Intricate component of the consumer supply chain
- High-value/time-sensitive products

Exploring Current Issues: Changing Distribution System

Submitted by Larry Krauter

- Manufacturing shifting back to North America and Europe
- Rising labor costs in Asia
- Accelerating consumption of a growing middle class
- Higher fuel costs
- Increased expense of security screening
- Increased shipping costs
- Repatriation of previously exported industry to U.S. & Europe
- Manufacturing & Distribution move to decentralized business model to reduce costs of transportation logistics, which favors trucking over air transport
- Traditional 'Gateways' are fragmenting as airlines start new international routes from inland airports
- Airlines making better use of belly capacity

Exploring Current Issues

Submitted by Larry Krauter

- Airport marketing becoming more sophisticated
- Emergence of new markets in Eastern Europe, Africa & Middle East
- Carriers have pulled back on direct lease or ownership of airport facilities – gap being filled by third-party developers and cargo handling companies
- Cost of screening favors major gateways due to economies of scale
- The ‘Cargo Village’ or ‘On-Airport Logistics Complex’
- Industry Alliances and Consolidations
- Modal Shifts
- Open Skies Treaties
- Emissions Trading Schemes (EU)
- Growth of ACMI operators (Aircraft, Crew, Maintenance & Insurance)

Snapshot of the Air Cargo Industry

Submitted by Larry Krauter

- Air Cargo traffic declined in the U.S. and Internationally in 2012.
- World-wide air cargo demand dropped 2 percent in 2012
- Markets connected to Far East experienced the most growth
- Forecasts call for gradual improvement
- U.S. Air Carriers flew 36.4 billion revenue ton miles in 2012, down 2.4 percent from 2011
- U.S. all cargo carriers flew 79.2 percent of total RTMs
- International RTMs declined 3.6 percent
 - European Sovereign Debt Crisis
 - Slowing Chinese economy
- U.S. Domestic Cargo RTMs will decline by 0.9 percent in 2013, then increase an average of 0.8 percent annually
- International RTMs will increase 1.1 percent in 2013, then increase at an annual average rate of 5.7 percent

Snapshot of Air Cargo Industry

Submitted by Larry Krauter

- Maturation of U.S. Domestic express package market?
- Shift from air to ground modes of transportation
- U.S. Postal Service use of all-cargo carriers for mail transport/increased use of electronic substitutes for mail
- Yet, Boeing expects air cargo growth to triple over next 20 years
- Asia will continue to be at the forefront of the industry
- Routes associated with Asia will experience the highest growth rates over the next 20 years

Rail yard efficiency

Submitted by Brock Nelson

- Introduction of automatic gate systems
 - Greater yard efficiency
 - Allows for shorter truck turn times
 - Reduces idling at manual gate access system
 - Improved air quality

Economic Investments

Submitted by Larry Paulson

- Freight Infrastructure funding spawns additional investments to support the economy
- Freight project partnership investments are only part of the story
 - Infrastructure partner investments
 - Additional expansion relocation investments
 - Cost to transport goods
- All economic activity should be reflected in benefits of freight investment

Bulk Freight Growth

Submitted by Larry Paulson

- Growing Bulk Freight Volumes
- Growing shipments of bulk products, including:
 - wheat, corn, soy, fertilizers, chemicals, oil related products (both up and down river), coal, and other agricultural related products

Increasing concern with at-grade crossing issues

Submitted by Dave Gossett

- Increased economic activity generates increased rail and truck movements
- Local governments are impacted with road/rail - congestion/conflict
- Railroads have time consuming and costly requirements when improvements involve railroad facilities as well as roads
- Railroads are not responsive when projects involve a rail component “The rail industry makes the Corp of Engineers and Ecology look like efficiency experts.”

Uniform freight measurements

Submitted by Dave Gossett

- Need for scoring mechanisms that assure freight (and related jobs) are taken into account in awarding competitive federal and state funds for projects. It would help to have “cheat sheets” or links that would make sure that everyone used the same data in the same way when analyzing freight benefits.
 - A system like the one recently developed by the PSRC might serve the need.
 - Another possibility would be to use tonnage or the dollar value of the freight or the time savings related to the project to prioritize.

Railroads

Submitted by Dave Gossett

- Railroads have time consuming and costly requirements when improvements involve railroad facilities as well as roads
- Railroads are not responsive when projects involve a rail component “The rail industry makes the Corp of Engineers and Ecology look like efficiency experts.”

Current WSDOT trend assumptions

Time Permitting: The Committee is asked to review and comment on the current draft WSDOT trend assumptions.

The Committee submissions will be organized and combined with the WSDOT submissions for adoption or further refinement at the next meeting

Truck Driver Shortage*

Submitted by Katy Taylor

- Shortage of qualified long-haul truck drivers will lead to more freight rail combined with local truck moves
- Improved rail service could result in higher rail prices & increased market share
- Long term freight rail capacity limitations in Western states won't support modal shift

Truck driver availability*

Submitted by Katy Taylor

- Shortage of qualified truck drivers in all sectors
- Higher prices for trucking services and consumer goods

Growth

Submitted by Katy Taylor

- Population growth along I-5 corridor; there isn't highway capacity to handle it
- Increased congestion in I-5 corridor

Distribution Centers

Submitted by Katy Taylor

- Regionalization of retailers' distribution centers
- Streamlining processes: dropping smaller amounts at more frequent intervals at stores
- Shorter average long-haul truck, except for LTL carriers

Inventory Costs

Submitted by Katy Taylor

- Significant pressure on shippers and goods receivers to lower inventory costs
- Increased demand for on-time deliveries in very short appointment windows (to the minute)
- More reliable truck freight corridors

Federal Truck Regulation*

Submitted by Katy Taylor

- Increased federal regulation of trucking companies
- Shorter Hours-of-Service (HOS) regulations will require more truck drivers and potentially more equipment to transport the same amount of goods
- Need increased formal training to meet regulatory requirements

Fuel*

Submitted by Katy Taylor

- Market shift from every-more-expensive diesel to plentiful, low-cost LNG (liquefied natural gas) and/or CNG (compressed natural gas)
- Need to retrofit or replace existing equipment; high cost in the near term
- Need LNG fuel stations every 400 miles on major truck corridors; Public Private Partnerships (PPP) opportunities in build-out of this infrastructure
- As truck fuel costs decrease, trucking will be more price competitive with freight rail

E-commerce

Submitted by Katy Taylor

- Continued growth of e-commerce
- Greatly increased number of shorter trips in urban areas via parcel trucks; more point-to-point shipments

Truck Technology

Submitted by Katy Taylor

- Autonomous truck technologies: in the near term they'll provide safety advantages, in the longer term reduce demand for truck drivers
- Could help mitigate the long-term truck driver shortage
- Many safety, regulatory, and infrastructure concerns

Fuel Prices

Submitted by Katy Taylor

- Future price competition between diesel and LNG
- Diesel prices are very volatile and current forecasts suggest LNG prices will remain low into the future, but ultimately low LNG prices may bring down the price of diesel

Export Competition

Submitted by Katy Taylor

- Demand for 'Made in Washington' agribusiness products is growing fastest in Asia and India as consumer income increases
- West coast ports are increasingly important for state exports, but (1) outbound container prices are significantly (\$1,000+) higher in Washington than in southern California, (2) continued equipment imbalance results in poor container availability. Resulting in lost economic growth opportunities for Washington State and increased growth in California.

Port Preference

Submitted by Katy Taylor

- The Port of Portland may lose more ship calls
- The Ports of Seattle and Tacoma could gain container business, resulting in increased congestion, increased drayage cost, and less equipment availability

Panama Canal

Submitted by Katy Taylor

- In 2015 the Panama Canal will accommodate larger ships
- Will result in increased equipment imbalance and lower congestion at west coast ports if retailers shift to all-water route
- May shift +/- 5% of goods, but container lines want to turn equipment fast so they'll continue to drop containers on the West Coast.

Drayage

Submitted by Katy Taylor

- Major trucking firms seeking market opportunities will move into the drayage business
- Can more readily afford initial capital investment to meet regulations mandating improved truck engines to reduce emissions

Emissions

Submitted by Katy Taylor

- Residents demand lower freight emissions
- Increased emissions requirements for rail and trucks, especially in port cities

Gentrification*

Submitted by Katy Taylor

- Infill of commercial, residential and schools land use next to railroads and ports
- Port of Seattle and other ports will continue to have limited space for expansion, face gentrification and increased competition for use of access routes

Bulk Commodities

Submitted by Katy Taylor

- More bulk commodities such as coal, oil, and agricultural products will be exported through Washington marine ports
- New and/or expanded bulk export facilities will be built in Washington State

Genetically Modified Crops

Submitted by Katy Taylor

- U.S. advanced agribusiness produces Genetically Modified (GM) crops and food products
- Continued resistance to GM products in the EU and China may impact growth of U.S. agricultural exports

European Agriculture Markets

Submitted by Katy Taylor

- Europe sources more agricultural products from Africa and S. America
- Less demand for Washington State agricultural products in the EU, leading to more dependence on Asian markets

Air Freight

Submitted by Katy Taylor

- Domestic market for air freight is flat
- International market for air freight is growing, but slowing

Re-shoring*

Submitted by Katy Taylor

- Re-shoring of advanced and other manufacturing to the U.S. as (1) Chinese-made quality of goods is poor and labor costs are increasing, (2) transit time from Mexico is less complex
- More time-sensitive freight services will be needed to move goods manufactured domestically

Digital Manufacturing

Submitted by Katy Taylor

- New digital manufacturing technology that allows for more domestic manufacturing and potential for manufacturing without traditional manufacturing plants
- Manufacturing may become more geographically distributed, shortened supply chains, and increased need for shipping of bulk materials (plastics, other component materials)

Foreign Manufacturing

Submitted by Katy Taylor

- Manufacturing sector growth in Mexico, South America, and Africa
- Increased traffic on freight lanes to these places

Urban Freight Delivery

Submitted by Katy Taylor

- Major distributors' delivery hours to urban centers shifting to off-peak (midnight to 5:00 am) hours
- May not slow congestion in peak am delivery hours as total number of truck trips grow
- Shippers implement operational strategies to improve reliability

Local Deliveries

Submitted by Katy Taylor

- Land use regulations prevent large trucks from entering urbanized areas
- More smaller straight trucks operating in urban areas leading to more total truck trips

Wood Products

Submitted by Katy Taylor

- Less demand for paper/wood products as consumers shift to electronic communications
- Fewer heavy truckloads from timber mills to paper mills in Washington

Agribusiness

Submitted by Katy Taylor

- Tree fruit farmers in Columbia Basin adding production acreage to meet increased demand
- Dairies: higher property values along I-5 corridor are driving farming to eastern Washington
- Growth in corn and wheat demand
- Increased importance of export facilities, and demand for domestic intermodal facilities
- Increased importance of I-90 corridor

Alaska Trade

Submitted by Katy Taylor

- Alaska crude production is decreasing
- Salmon production is stable
- More oil transported by train/barge to Washington refineries from the mid-west
- Potential for increased ethanol imports

Pipelines

- Submitted by Katy Taylor
- No new transcontinental east-west pipelines will be built in the U.S.
- More oil will be transported by train to Washington from the mid-west
- Bulk and crude oil from Dakotas will come to the lower Columbia River and be barged to refineries in Northwest Washington

Coal

Submitted by Katy Taylor

- Less coal burned in the United States due to U.S. EPA standards
- Higher coal prices in international markets driving increased coal exports by rail

Nuclear Power

Submitted by Katy Taylor

- Nuclear renaissance that was coming is delayed for 10 to 15 years by effects of Japanese tsunami
- Increased reliance on oil and gas in the near term

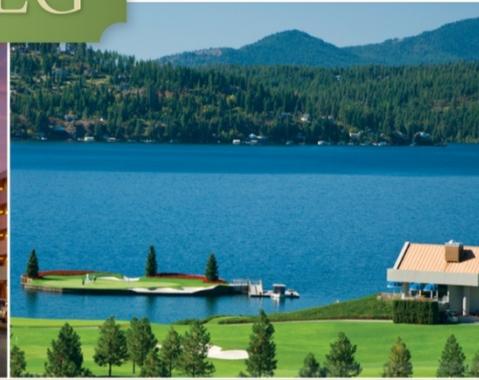
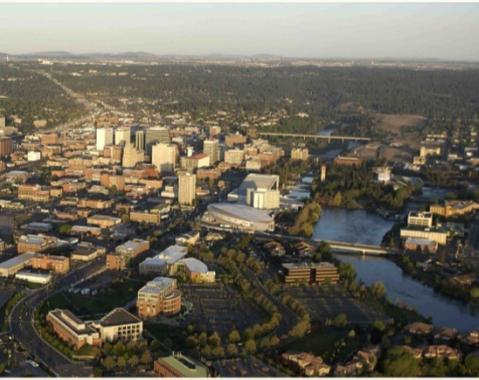
Minerals

Submitted by Katy Taylor

- Potential for mining rare minerals in space

SPOKANE INTERNATIONAL AIRPORT

• GEG •



Aviation Freight Mobility Planning & Policy Issues Presented to

Freight Advisory Committee

Lawrence J. Krauter, A.A.E., AICP
Chief Executive Officer
Spokane International Airport, Felts Field
and Airport Business Park

Value of Air Cargo

- **Trade Facilitator**
- **Job Creator**
- **Transports \$6.4T worth of goods**
- **35 percent of world trade by value**
- **Intricate component of the consumer supply chain**
- **High-value/time-sensitive products**

Exploring Current Issues: Changing Distribution System

- Manufacturing shifting back to North America and Europe
- Rising labor costs in Asia
- Accelerating consumption of a growing middle class
- Higher fuel costs
- Increased expense of security screening
- Increased shipping costs
- Repatriation of previously exported industry to U.S. & Europe
- Manufacturing & Distribution move to decentralized business model to reduce costs of transportation logistics, which favors trucking over air transport
- Traditional 'Gateways' are fragmenting as airlines start new international routes from inland airports
- Airlines making better use of belly capacity

Exploring Current Issues

- Airport marketing becoming more sophisticated
- Emergence of new markets in Eastern Europe, Africa and Middle East
- Carriers have pulled back on direct lease or ownership of airport facilities – gap being filled by third-party developers and cargo handling companies
- Cost of screening favors major gateways due to economies of scale
- The ‘Cargo Village’ or ‘On-Airport Logistics Complex’
- Industry Alliances and Consolidations
- Modal Shifts
- Open Skies Treaties
- Emissions Trading Schemes (EU)
- Growth of ACMI operators (Aircraft, Crew, Maintenance & Insurance)

Snapshot of the Air Cargo Industry

- Air Cargo traffic declined in the U.S. and Internationally in 2012.
- World-wide air cargo demand dropped 2 percent in 2012
- Markets connected to Far East experienced the most growth
- Forecasts call for gradual improvement
- U.S. Air Carriers flew 36.4 billion revenue ton miles in 2012, down 2.4 percent from 2011
- U.S. all cargo carriers flew 79.2 percent of total RTMs
- International RTMs declined 3.6 percent
 - European Sovereign Debt Crisis
 - Slowing Chinese economy
- U.S. Domestic Cargo RTMs will decline by 0.9 percent in 2013, then increase an average of 0.8 percent annually
- International RTMs will increase 1.1 percent in 2013, then increase at an annual average rate of 5.7 percent

Snapshot of Air Cargo Industry

- **Maturation of U.S. Domestic express package market?**
- **Shift from air to ground modes of transportation**
- **U.S. Postal Service use of all-cargo carriers for mail transport/increased use of electronic substitutes for mail**
- **Yet, Boeing expects air cargo growth to triple over next 20 years**
- **Asia will continue to be at the forefront of the industry**
- **Routes associated with Asia will experience the highest growth rates over the next 20 years**

Policies Adversely Affecting Air Cargo Movement

- **Federal Level**
 - **No comprehensive National Aviation Policy**
 - Intermodalism and freight mobility not adequately connected to decision-making
 - **Funding Program Uncertainty**
 - FAA Reauthorization process
 - Deficit Reduction Measures
 - Dedicated Revenue Streams for Air Cargo Infrastructure (like a PFC equivalent to the passenger carriers)
 - **Regulations imposed by FAA and TSA**
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- **NEPA Process needs streamlined for optimization of performance based navigation**
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 - No mention of cargo in State Aviation System Plan
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FAA Funding Uncertainty

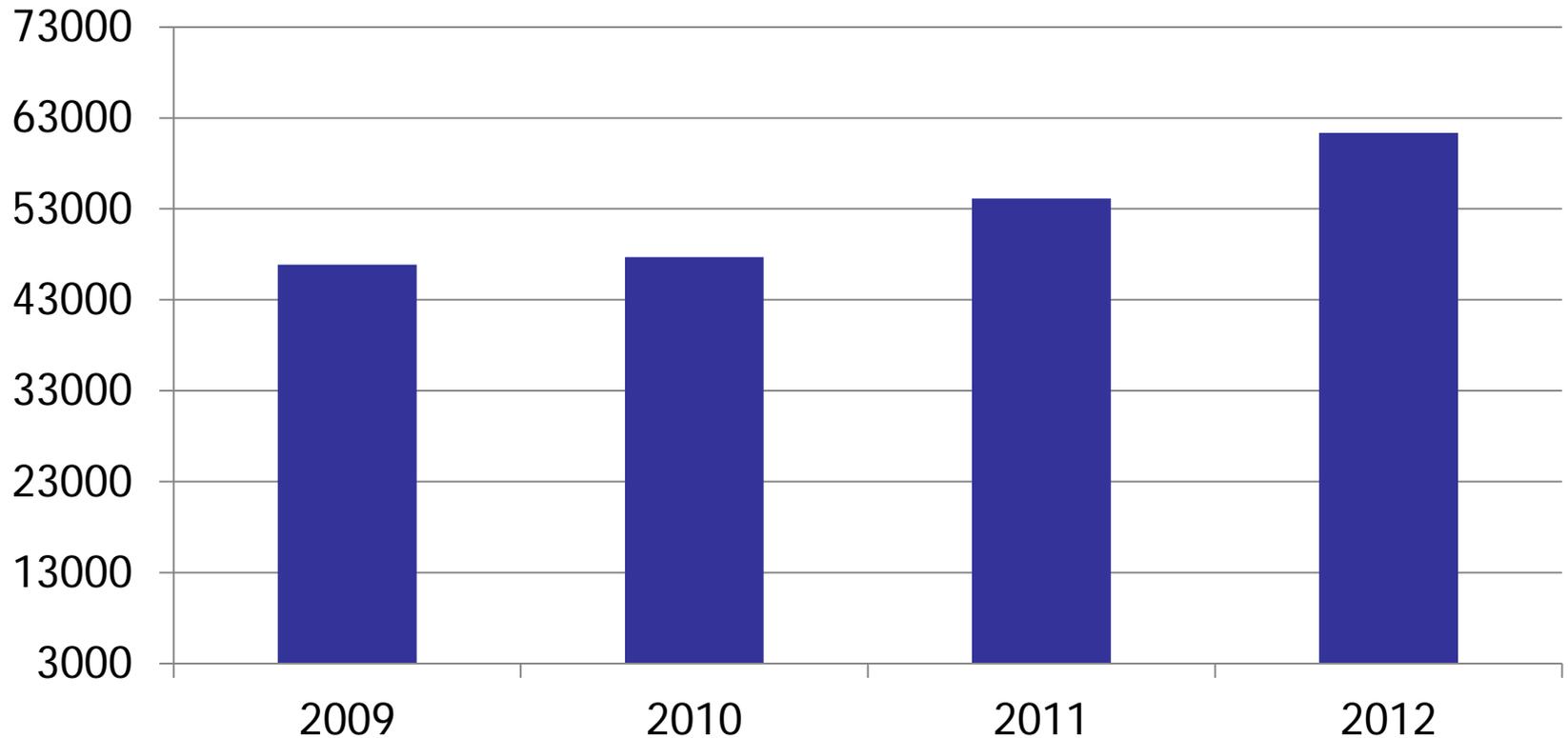
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 - **National Aviation Policy**



Spokane Cargo-Related Information



Total Cargo Through December





Air Cargo Facilities

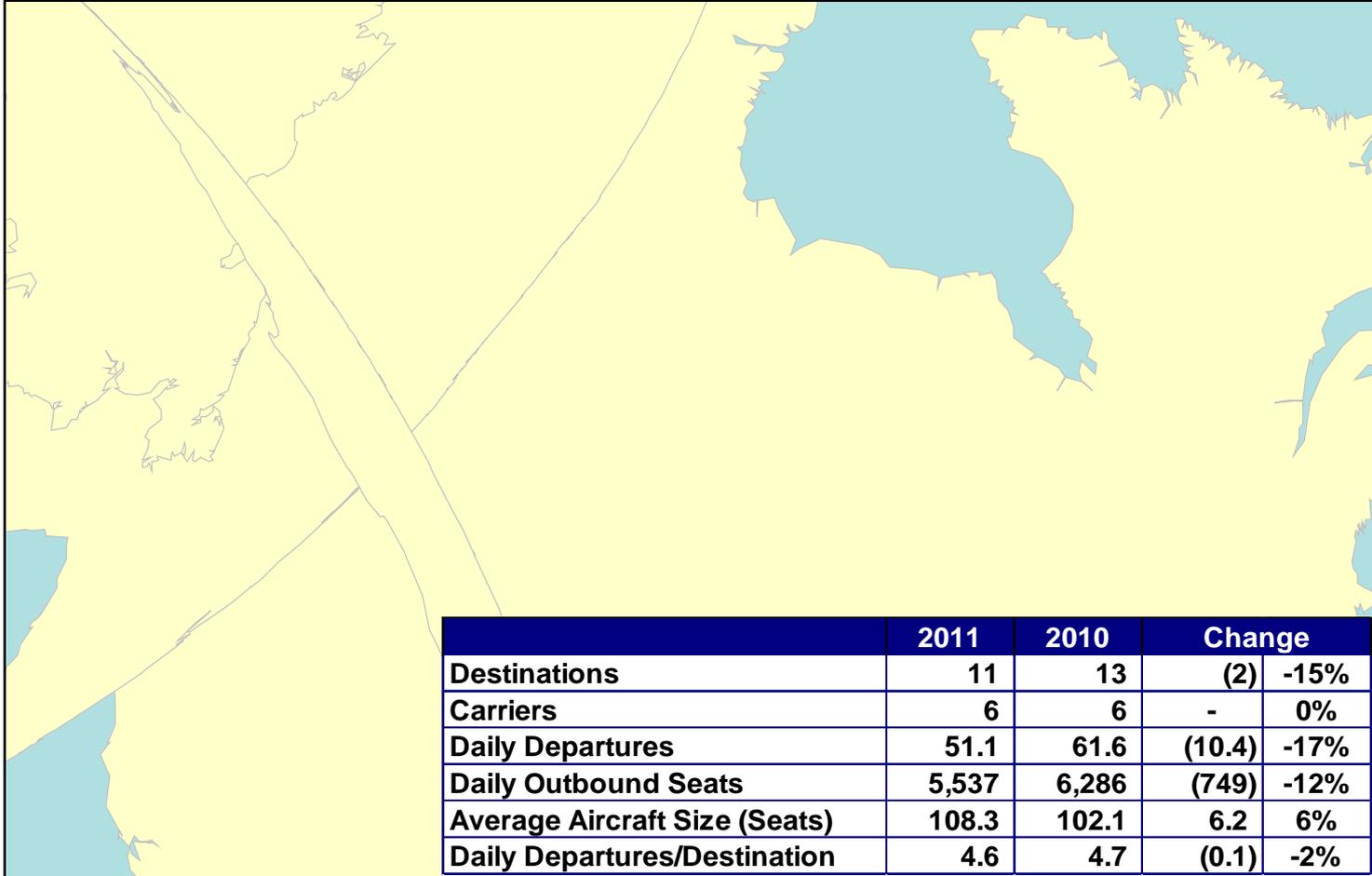




Air Cargo Service



Current GEG Service (Belly-Freight Opportunities)



Note: United serves ORD seasonally.

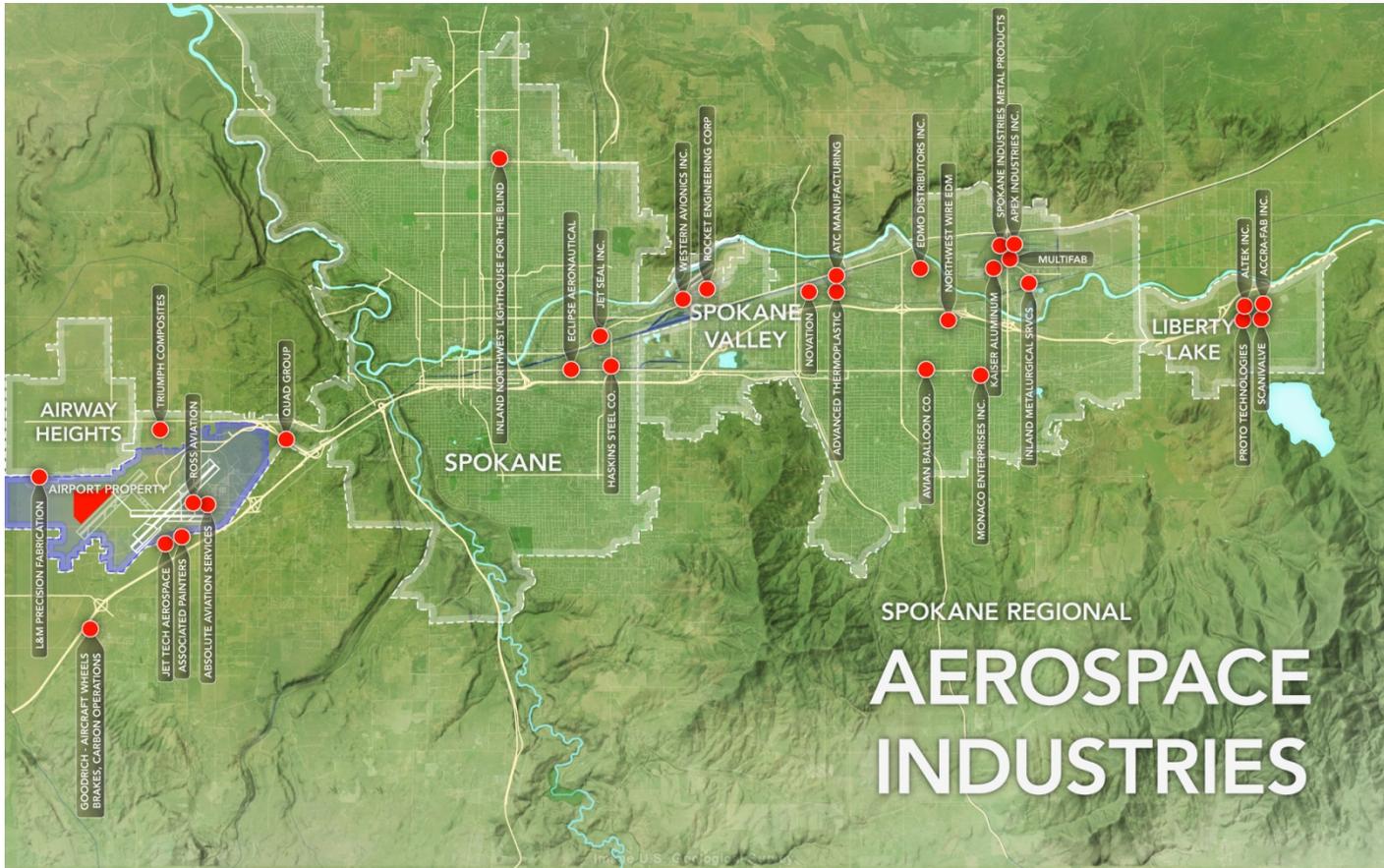
Source: Schedules for August 21-27, 2011 and August 22-28, 2010 via OAG.

Regional Issues/Trends

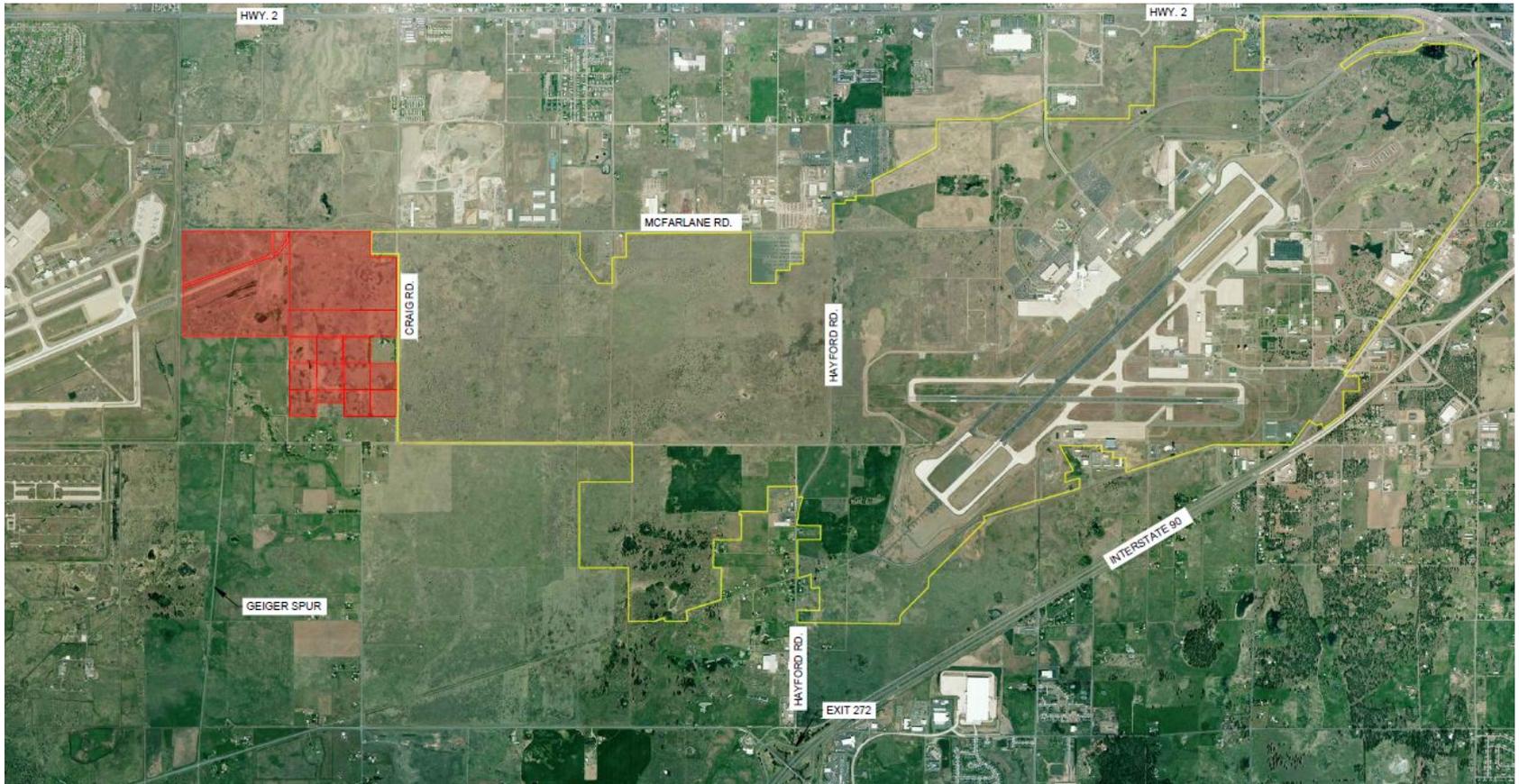
- **Inland Pacific Hub Initiative**
- **Airport Master Plan**
- **Zoning/JLUS/City and County**
- **Foreign Trade Zone No. 224**
- **Land Availability**
 - **Aeronautical Access**
 - **Non-Aeronautical Access**
- **AIRSpokane (Recruitment and Incentives)**
- **WSDOT Interchange Improvements/Medical Lake**
- **Geiger Spur Rail Line**
- **Utilities Infrastructure Planning & Development**
- **Municipal Revenue Sharing Agreements**



Top Aerospace Companies



The Aerotropolis

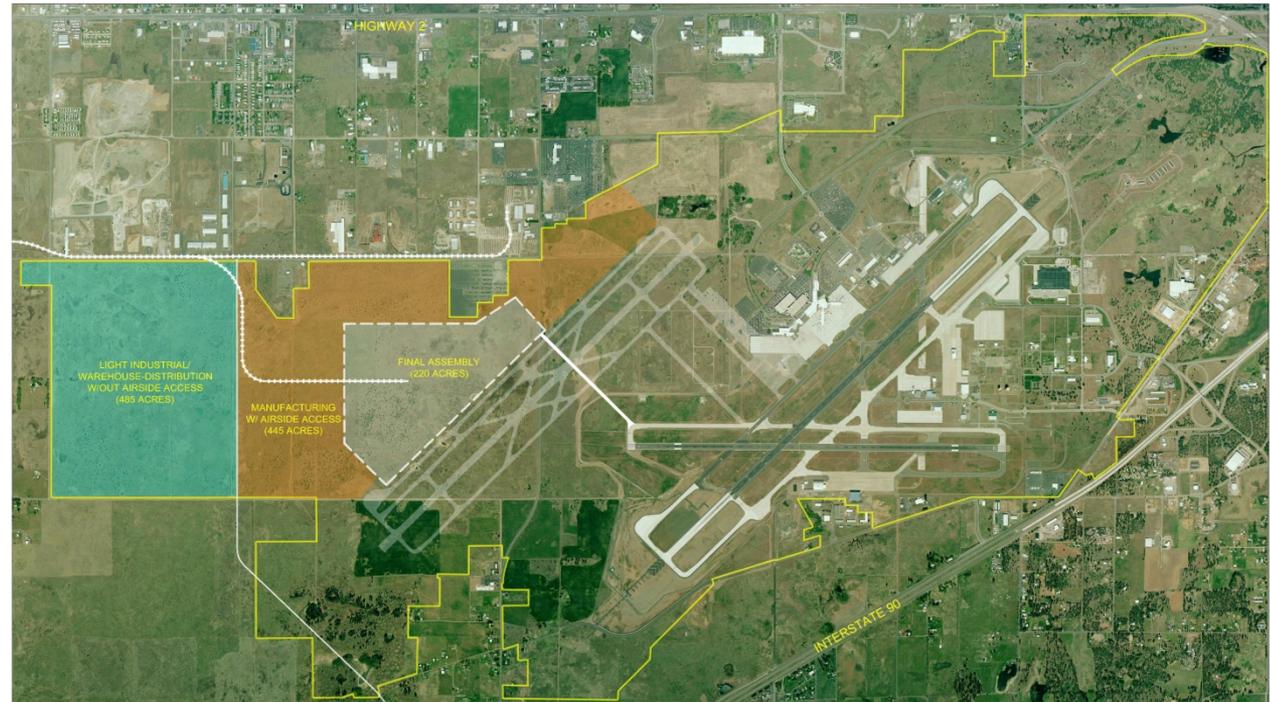




AIRSpokane



Spokane International Airport



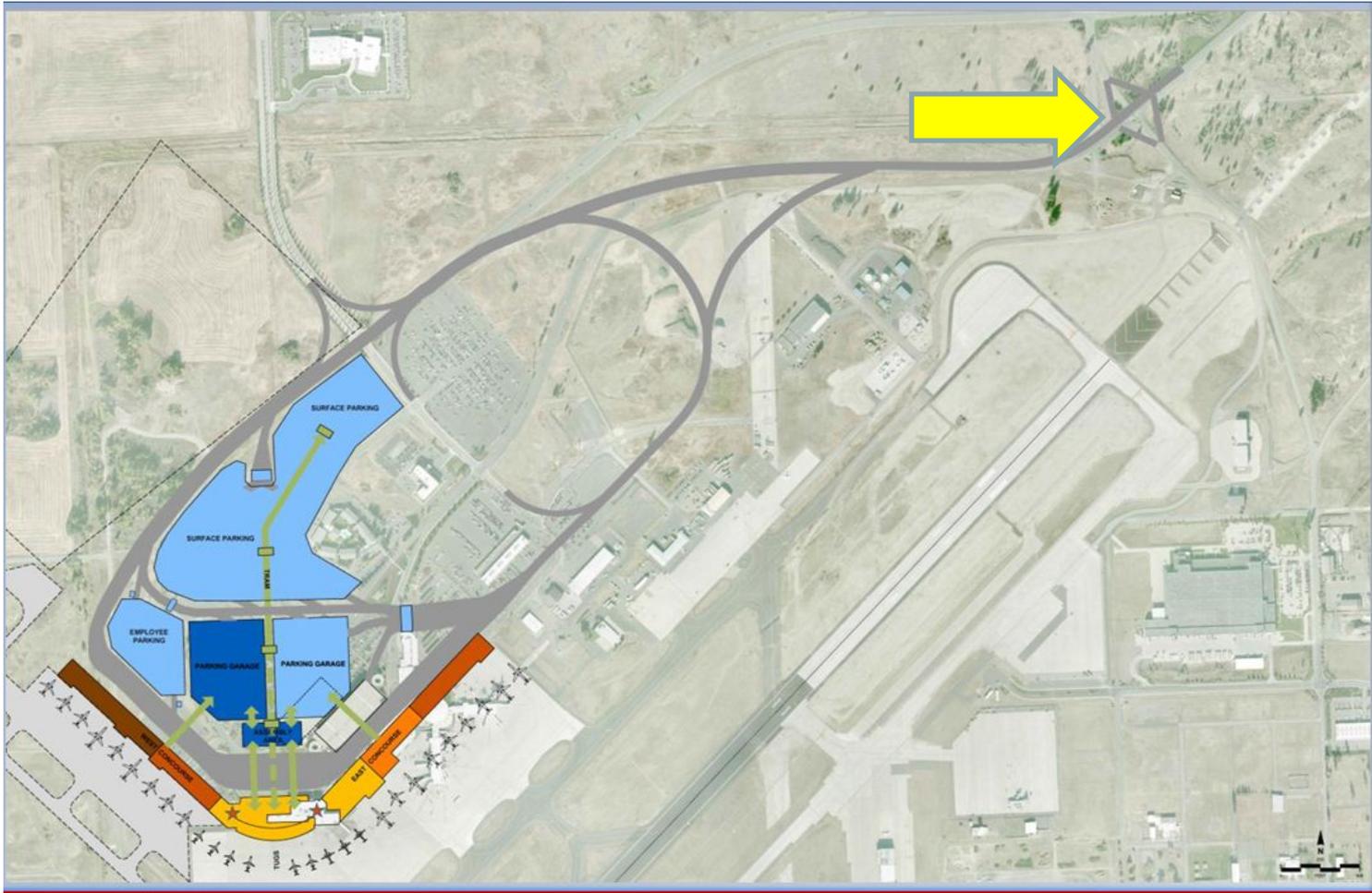
- Access
- Fairchild land bridge
- Up to 50 year lease any combination
- Unique value proposition



FAIRCHILD

JOINT LAND USE STUDY

SIA Roadway Improvements



Cargo Gateway Work Plan

- More sophisticated understanding of the market
- Does primary gateway (Sea-Tac) have capacity issues?
- How much air freight is coming in to Sea-Tac and headed to destinations east of Cascades?
- Why do agricultural exports, like cherries, go west instead of east, when Spokane is closer to the farms?
- Distance to (and acceptable) border crossings
- Waste-to-Energy incinerator
- Foreign Trade Zone #224
- Roadway access
- Air Cargo Apron Access/Capacity
- Runway length
- TSA/Customs & Border Protection Staffing
- FDA, USDA and APHIS staffing
- Warehouse facilities
- Ground Support Equipment (GSE)

Cargo Gateway Work Plan

- Domestic or International
- Passenger (Belly Freight)
- Freighter (Frequency)
- Niche markets (back to cherries)
- Multi-Modal capabilities (key to AIRSpokane)
- Marketing (Why us and what to pursue)
- Workforce supply

SPOKANE INTERNATIONAL AIRPORT

GEG



Thank you!

Freight Policy Barriers



MAY 2013 - DRAFT LIST

Federal



Submitted by Dan McKisson

- Lack of a comprehensive federal freight policy

State



Submitted by Dan McKisson

Gentrification

- Lack of strong state rules to protect strategic freight corridors and or port districts
- Cities & Counties allowing non-freight uses to establish themselves to the detriment of WA.

Federal & State



Submitted by Terry Finn

- Don't allow regulatory process to pick winners and losers but should stay neutral and understandable.
- Project delivery is too slow and uncertain and a block against investment

State & Federal



Submitted by Terry Finn

Intermodal connectivity:

- Make sure that public funding targets the “last mile” or gaps between major transportation nodes and modes.
- Example: clogged city streets that prevent smooth and cost-effective transfer from ship to rail, truck to port, etc.

State & Federal



Submitted by Terry Finn

Green Transportation

- If we are to grow our economy and trade competitiveness in the “greenest” possible manner. We will need more trains, not fewer trains.
- State and federal policies should recognize that as a tenet of our transportation future and plan accordingly – grade separations, land use controls, buffer zones.

Federal



Submitted by Sheri Call

Compliance, Safety, Accountability (CSA)

- Uncertainty & dissatisfaction with CSA results
- Current CSA Scores not a predictor of safety
- Changes to DataQ's – highly challenged

Federal



Submitted by Sheri Call

Hours of Service

- Current hour rules producing historic lows on crashes
- WA law toughest safety law in nation
- July: Federal changes shorten driver time on road
 - ✦ Loss of productivity – cost of training

Federal



Submitted by Sheri Call

Electronic On-Board Recorder

- Map-21 Requirement, final rule pending
- Industry concern: Final rule may be more far-reaching and cumbersome in its requirements
- EOBR vastly more expensive than HOS tracking

State



Submitted by Sheri Call

Local & State Regulation

- **Cities, Counties & State asserting growing authority over trucking operations**
 - ✦ Paid sick leave policies
 - ✦ Independent contractors
 - ✦ Taxing Policy

Federal & State



Submitted by Sheri Call

- Climate Change
- Increased or new taxation
 - VMT, carbon tax, Cap & Trade, tolling existing or general purpose lanes congestion pricing, city warehouse &/or door taxes, street utility tax
- Increased emphasis on bike lanes in areas of heavy commercial traffic

Federal & State



Submitted by Sheri Call

Alternative Fuel

- Bio diesel mandates
- Cost: 2-4 cents more per gallon

State



Submitted by Sheri Call

Independent Contractors

- State interfering with private sector employment model

Federal & State



Submitted by Sheri Call

Taxes

- Increasing fuel taxes
- VMT, Carbon tax, congestion pricing, tolling, city & local tax strategies
- Fuel tax indexing – federal & state
- Utility tax exemption & additional piled on taxes

Federal



Submitted by Sheri Call

Truck Size & weight

- More efficient for trucks & shippers
- Congressional freeze needs to be lifted
- States to establish rules/routes for larger vehicles – added axles etc.
- (see opposing position next slide)

Federal



Submitted by Larry Krauter

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Federal, State, Local



Submitted by Larry Krauter

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 - Competitiveness Challenges/Impact of state taxes and regulations on an industry that is very mobile with its assets and has very low margins
- **Local Level**
 - Cost of aeronautical land discourages combining air/ground stations

Federal



Submitted by Brock Nelson

- Oppose the increase of truck size and weight of freight trucks on taxpayer roads without proper reimbursement for damages caused to those roads
- (consider with truck member recommendation)

State & Federal



Submitted by Brock Nelson

- **Increased property taxes**
 - Real estate
 - Equipment

Federal



Submitted by Brock Nelson

Positive Train Control(PTC) mandate

- FRA imposed 2008 baseline year for lines carrying certain toxic materials without the “de minimus” exemption for those lines

Federal & State



Submitted by Brock Nelson

Power Generation Plant Conversions

- Legislation promoting the switching of power generation plants from coal to natural gas
- Allowing utilities to pass on conversion costs to customers

Federal & State



Submitted by Brock Nelson

- **New or increased diesel fuel taxes**

State



Submitted by Brock Nelson

- **Increased Property Tax**

Federal



Submitted by Brock Nelson

- **Legislation that increases freight rail rate and pricing regulation**

Federal



Submitted by Brock Nelson

- **Legislation eliminating the limited freight railroads' antitrust exemptions**

Federal



Submitted by Brock Nelson

- **Legislation to force freight railroads to allow open access to competing railroads**

State



Submitted by Brock Nelson

- **Limited real estate needed for expansion of existing urban rail yards and facilities**
- **Gentrification**
- **Poor planning to preserve freight rail corridors**
- **Need improved statewide plan to protect intermodal terminal expansion and protection of real estate that can accommodate rail ops**

State



Submitted by Brock Nelson

- **Regulations that force the redirection of capital away from terminal efficiency improvements**

State



Submitted by Brock Nelson

- **Improve communication and processes for railroads and road authorities to work together to improve terminal connectors**

State



Submitted by Mike Moore

- **State Legislative proposals:**
 - State tax policies threaten increased costs to shippers and MTOs.
 - Changes to port trucking per teamster requests creating uncertainty in container handling through marine terminals to/from rail yards, distribution centers and warehouses.
- **Traffic Congestion in the “last mile” before the ports:**
 - Complete SR 167 for Port of Tacoma.
 - Zoning challenges around the Port of Seattle container terminals
 - ✦ Increased congestion
 - ✦ Threatening future operations and commitments.

Federal



Submitted by Mike Moore

- **Complying with the North American Emission Control Area due to supply and cost uncertainty of fuel for vessels calling on our ports.**
- **Harbor Maintenance Tax (HMT) increases costs of container throughput compared to Canada**
- **Environmental and Security policy differences with Canada leading to operational/cost differentials**

State and Federal



Submitted by Mike Moore

- Stormwater rules at the state level
- Citizen lawsuits under Clean Water Act threaten operational viability of container terminals

State



Submitted by Larry Paulson

- Regulatory coordination between states
- Columbia River: ID, OR & WA need better coordination between states and the Federal Government
- During the channel deepening process, some of the major holdups were between the states as to environmental protections, dredge material placement and safety requirements.

Federal



Submitted by Larry Paulson

- Changing and inconsistent rules regarding annual maintenance dredging for the shipping channels and for regular in-water work at the port docks
- Structural improvements such as Jetty, channel and lock maintenance
- Also as they relate to the Columbia River and inland connections:

Federal



Submitted by Larry Paulson

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- Structural improvements such as Jetty, channel and lock maintenance
- Also as they relate to the Columbia River and inland connections

Federal



Submitted by Larry Paulson

- HARBOR MAINTENANCE TRUST FUND (HMTF)
- \$1.5B in Harbor Maintenance Tax (HMT) is collected each year, but only roughly \$800M spent
- Federal channels around the country not maintained at their authorized depth, width, and length
- Beneficiaries and donors issues need resolution

Federal



Submitted by Larry Paulson

- INLAND WATERWAYS TRUST FUND (IWTF)
- Purpose: Pay for 50% of the cost of construction and major rehabilitation projects on inland waterways
- Diesel tax not keeping pace with needs
- Northwest towboaters ok with phased in diesel tax, but opposed to lockage fees

Federal



Submitted by Larry Paulson

- Dredging
- Lower Columbia River requires annual dredging to maintain its 43' depth
- Corps needs an additional \$18M above the \$28M in the President's budget just to maintain this authorized depth
- The fishing ports of Ilwaco and Columbia are often overlooked for dredging and generally need special appropriations

State & Federal



Submitted by Larry Paulson

- Grade crossing improvements.
- This seems to be a universal request from the transportation related entities (ports, manufacturers, truckers) and the cities and counties as to the conflict between motor vehicles and trains.
- This is especially apparent as the discussion of increased rail traffic continues. For the ports, the issue of "first and last mile" into and out of their facilities, often through residential areas, is critical.

State

Submitted by Pat Hulcey

41

- Most cities plan under the Growth Management Act. (GMA)
- GMA requires cities to balance 13 planning goals:

• Urban Growth	• Natural Resource Industries
• Reduce Sprawl	• Open Space and Recreation
• Transportation	• Environment
• Housing	• Citizen Participation and Coordination
• Economic Development (When state funding is available)	• Public Facilities and Services
• Property rights	• Historic Preservation
• Permits	

- Freight policy for most cities will be part of the “transportation” planning goal, and will be tied to “level of service” thresholds determined by each city.

State

Financial overview - 281 cities and 4.2 million citizens (64% of state population)

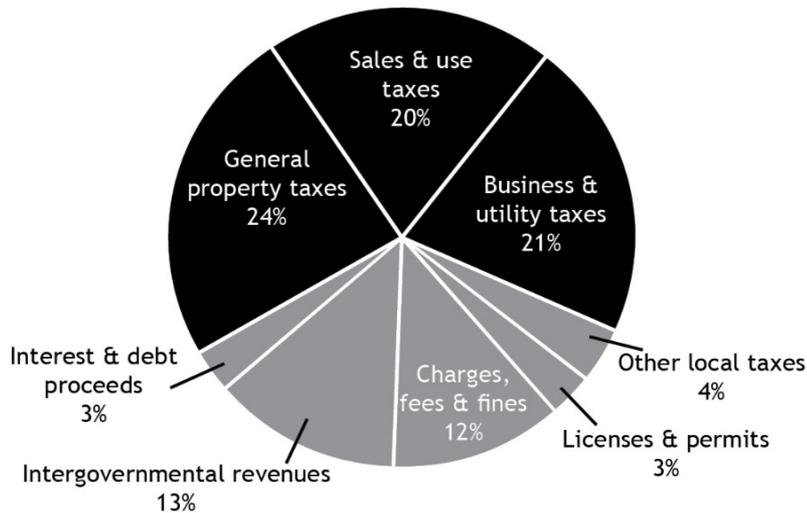
Submitted by Pat Hulcey

42

Revenues

Where do city revenues come from?

Cities rely on property taxes, sales tax and business and utility taxes for the majority of operating revenue.

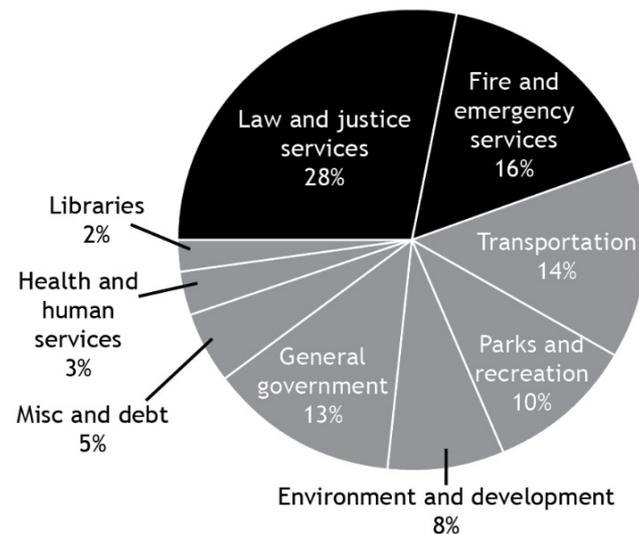


Source: State Auditor's Office Local Government Financial Reporting System; general fund, special revenues. Does not equal 100% due to rounding.

Expenses

Where do city revenues go?

Cities provide many important community services; nearly half of the city operating budget is directed to public safety.



Source: State Auditor's Office Local Government Financial Reporting System; general fund, special revenues

Cities, on a statewide average, spend about 14% of their budget on transportation

- Of the “transportation budget”, approximately 20% -25% is dedicated by state or federal law, and 75-80% is discretionary.
- Cities’ do not have the resources to adequately preserve and maintain their transportation network.

City Transportation: Local Policies

Submitted by Pat Hulcey

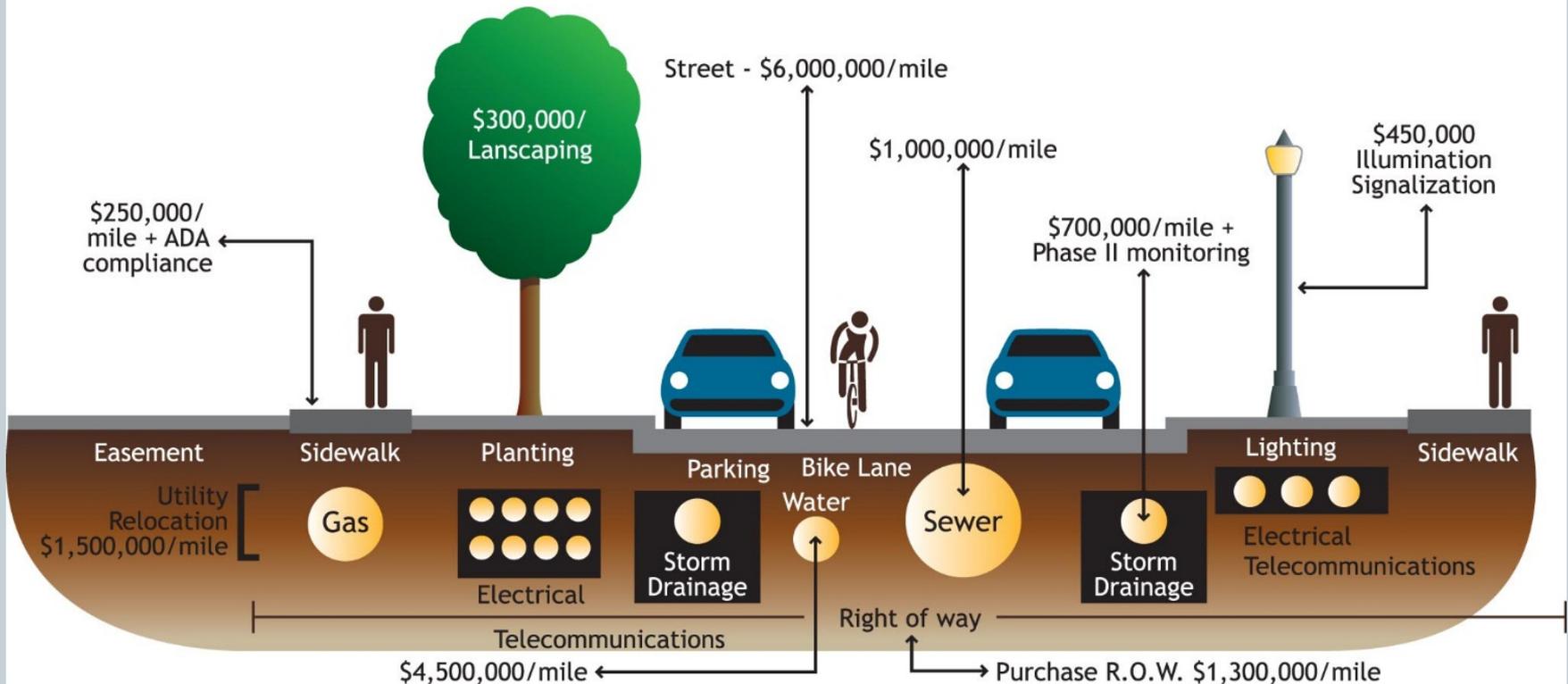
43

Typical city street costs-where do freight corridors fit in?

Actual bid specs = \$15.7 million per mile

Typical City Infrastructure Costs Today

City streets are more than pavement.



State & Federal

44

Submitted by Pat Hulcey

- State & Federal economy without adequate partner funds
- Rail freight primarily passes through cities. (Little perceived local economic value)
 - Safety is a primary concern
 - At-grade crossings:
 - Vehicle delay (i.e. commuters, residential traffic, truck freight delivery)
 - Emergency services delay
- Cost to address at-grade crossings exceeds city budgets (\$15M to \$25M in Eastern WA, \$20-\$30M in Western WA for a typical at-grade crossing)
- Five percent limit to partner with rail--limited business case from rail perspective to partner with cities
- Limited state programs to fund solutions (i.e. FMSIB, TIB)

State

45

Submitted by Pat Hulcey

- Funding deficiencies
- Trucking falls into two broad categories:
 - Delivery to retail, shopping, etc.
 - Some cities restrict delivery hours,
 - Noise ordinances are a regulatory tool
 - Industrial, light industrial
 - These land uses are important for cities
 - However, a city's ability to maintain "heavy haul" road standards is limited.
- Limited state programs to fund solutions (i.e. FMSIB, TIB)

State & Federal

Submitted by Pat Hulcey

46

Responsibility to fund freight solutions

Cities work closely with Ports and recognize their economic value to cities. However, there are freight investment challenges:

- At what level should a city invest in freight corridors when it is “pass through” Port traffic?
- Is this a state or local responsibility?
- Are these corridors of “state significance?”

State

Submitted by Pat Hulcey

47

- City Freight Challenges: State Tax Structure
- Dedicated city transportation revenue cannot keep up with existing street investment requirements; freight related investments are even more expensive. State assistance is necessary.
- Transportation taxes related to the trucking industry goes to the state. There is limited state assistance for mitigating trucking impacts.
- Cities are sales tax dependent:
 - State tax structure: encourages cities commercial over industrial zoning.
 - Commercial zoning = twice the revenue as industrial zoning
 - State tax collection models incentivize cities to favor commercial zoning:

Taxes from Port Operations

	Excise Taxes	Property Taxes
State Share:	80 to 90 percent	20 to 25 percent
Local Share	10 to 20 percent	75 to 80 percent

(2009 Governor's Container Ports Initiative)

State & Federal



Submitted by Dave Gossett

- **SEPA & NEPA**
- **Projects requiring both a SEPA and NEPA**
 - Costly & time consuming to do both
 - Federal government would assess state environmental regulations and declare those that are adequate “essentially equivalent”
 - Alternatively, the state could do the same and accept a NEPA determination.

Federal & State



Submitted by Dave Gossett

Funding

- Lack of adequate transportation funding at federal, state, and local level
- Lack of a dedicated freight funding source at the federal level. Freight projects must compete with other transportation priorities

Federal



Submitted by Dave Gossett

- **Federal Match**
- **Match requirements for federal projects could be reduced for those with a significant freight impact**
 - ✦ **Incentive to submit freight projects**

Federal & State



Submitted by Dave Gossett

Maintenance & Preservation

- Most funding is for new projects—it is much more difficult to access funding for maintenance and replacement of existing transportation projects

Federal & State



Submitted by Dave Gossett

Lack of Flexibility due to delays

- Projects are often delayed as local governments wait for state and federal approvals
- There is also a lack of flexibility if schedules have to be changed due to unforeseen problems.

Freight Policy Barriers

May 2013 - Draft list

Federal

Submitted by Larry Krauter

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FREIGHT TRENDS



Exploring Current Issues: Changing Distribution System

Submitted by Larry Krauter

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- Forecasts call for gradual improvement
- U.S. Air Carriers flew 36.4 billion revenue ton miles in 2012, down 2.4 percent from 2011
- U.S. all cargo carriers flew 79.2 percent of total RTMs
- International RTMs declined 3.6 percent
 - European Sovereign Debt Crisis
 - Slowing Chinese economy
- U.S. Domestic Cargo RTMs will decline by 0.9 percent in 2013, then increase an average of 0.8 percent annually
- International RTMs will increase 1.1 percent in 2013, then increase at an annual average rate of 5.7 percent

Snapshot of Air Cargo Industry

Submitted by Larry Krauter

- Maturation of U.S. Domestic express package market?
- Shift from air to ground modes of transportation
- U.S. Postal Service use of all-cargo carriers for mail transport/increased use of electronic substitutes for mail
- Yet, Boeing expects air cargo growth to triple over next 20 years
- Asia will continue to be at the forefront of the industry
- Routes associated with Asia will experience the highest growth rates over the next 20 years

Freight Policy Barriers

May 2013 - Draft list

State

- Submitted by Mike Moore
- State Legislative proposals:
 - State tax policies threaten increased costs to shippers and MTOs.
 - Changes to port trucking per teamster requests creating uncertainty in container handling through marine terminals to/from rail yards, distribution centers and warehouses.
- Traffic Congestion in the “last mile” before the ports:
 - Complete SR 167 for Port of Tacoma.
 - Zoning challenges around the Port of Seattle container terminals
 - Increased congestion
 - Threatening future operations and commitments.

Federal

- Submitted by Mike Moore
- Complying with the North American Emission Control Area due to supply and cost uncertainty of fuel for vessels calling on our ports.
- Harbor Maintenance Tax (HMT) increases costs of container throughput compared to Canada
- Environmental and Security policy differences with Canada leading to operational/cost differentials

State and Federal

- Submitted by Mike Moore
- Stormwater rules at the state level
- Citizen lawsuits under Clean Water Act threaten operational viability of container terminals

FREIGHT TRENDS



Trends Impacting Washington Freight: Market Share

- Submitted by [Mike Moore](#)
- Washington State container ports are losing market share to Canada.
- Many container vessel calls in Seattle/Tacoma are secondary port calls with Canadian ports landing a higher percentage of first port calls prior to calling Washington ports
- Suez Canal impact:
 - Route shifts due to cost and shift in manufacturing;
 - Largest ocean carrier in the world will route cargo through the Suez. (loss of market share on the West Coast)
 - Heightens port competitiveness even further for Seattle and Tacoma from ports in Canada, California, Mexico and the Panama Canal expansion access to ports in the Gulf and East Coast.

Trends Impacting Washington Freight: Market Share

- Submitted by [Mike Moore](#)
- Competitor ports are providing incentives to attract jobs and container throughput
- Market incentives towards consolidating port calls to decrease costs; vessel slot sharing agreements between competitors continues
- If Washington ports lose market share on import side then exporting will be more costly for Washington agriculture, manufacturing and businesses

Trends Impacting Washington Freight

- Submitted by [Mike Moore](#)
- Increased volumes and varieties of freight on rail may likely mean more investment in capacity and efficiency
- Vessels are getting larger requiring some terminal/transportation infrastructure modifications over time as well as pilot/tug procedures/costs
- Changes in local zoning that squeezes capacity for distribution centers