

# **Freight Mobility Strategic Investment Board Strategic Plan Narrative 2007-2009**

## **MISSION STATEMENT**

The mission of the Freight Mobility Strategic Investment Board is to create a comprehensive and coordinated state program to facilitate freight movement between and among local, national and international markets, which enhances trade opportunities. The Board also is charged with finding solutions that lessen the impact of the movement of freight on local communities.

Washington's economy is very dependent upon trade and reliant on our ability to compete in a global economy. To remain competitive we need to move our products and goods efficiently. The State's economic competitiveness depends on the efficiency of the multimodal transportation system for the movement of freight.

The Board will propose policies, projects, corridors and funding to the Legislature to promote strategic investments in a statewide freight mobility transportation system. The Board will also propose projects that soften the impact of freight movement on local communities.

## **LISTING OF STATUTORY AUTHORITY REFERENCES**

RCW 47.06A	Freight Mobility
RCW 47.06A.001	Findings.
RCW 47.06A.010	Definitions.
RCW 47.06A.020	Board--Duties.
RCW 47.06A.030	Board--Creation--Membership.
RCW 47.06A.040	Board--Administration and staffing.
RCW 47.06A.050	Allocation of funds.
RCW 47.06A.060	Grants and loans.
RCW 47.06A.070	Records.
RCW 47.06A.080	Port district development plans.
RCW 47.06A.900	Severability--1998 c 175.

## **GOALS**

The Board is committed to the goal of keeping Washington State's businesses, manufacturers and agricultural producers competitive in the global marketplace. To enhance competitiveness, the Board's goals include: reduced congestion on freight corridors, improved safety in the movement of freight and reduced cost of moving goods. In working toward these goals, the Board proposes policies and projects to the Legislature and the Governor that will improve freight mobility for cargo and pursues project funding for the state's partnership share from state policymakers. The Board and staff continue to seek better public understanding of the importance of freight mobility to the state's economy.

## OBJECTIVES

To achieve the mission of improving freight mobility, the Board will pursue the following policy objectives, subject to available funding.

- Optimize freight mobility by reducing barriers on Washington's strategic freight corridors and lessen the impact of freight movement on communities.
- Employ existing and develop new techniques for anticipating future freight mobility requirements.
- To the greatest extent possible, leverage state dollars with financial support from other public and private partners.
- Take a leadership role of informing the public regarding freight mobility transportation needs and issues.
- Bring public and private partners together to identify and help fund strategic projects and their most cost effective solutions.
- Measure improvements or deterioration in freight mobility against benchmarks.

## MAJOR STRATEGIES

1) The Freight Mobility Strategic Investment Board will designate strategic freight corridors within the state, select strategic freight mobility projects for possible funding, leverage state funds to the greatest extent possible, demonstrate the importance of projects by bringing the public and private sectors together to identify and help fund freight mobility solutions and develop biennial budget requests for legislative consideration.

*Strategy* - Will facilitate lower freight costs and improve delivery time, which will influence the goal of enhancing competitiveness and removing barriers to freight movement.

*Statewide Result* - #6 -Improve the mobility of people, goods, information, and energy. All of the Board's efforts are targeted to improving the mobility of goods and improving the ability of businesses to compete economically. (Result # 5, improve the economic vitality of businesses and individuals, would also be impacted by removal of barriers to movement of commerce)

*Activity Inventory* – By statute, the Board is charged with developing a comprehensive and coordinated state policy that facilitates freight movement within the state to enhance local, national, and international markets. The board designates the State's freight corridors every 2 years, a call-for-projects is issued every other year to maintain an active list of projects, and the last call was issued in 2006. There are eighteen funded projects in various phases of construction and at least four more are scheduled to begin in 2007-09. Projects funded in the 2005-07 biennium will leverage more than \$4 in partnership match for every FMSIB dollar.

2) The Board will monitor the implementation of current freight mobility laws and programs, propose new legislation if deemed necessary, and act as an advocate for freight mobility. This will enable Washington to quickly maximize opportunities and construct safety and capacity improvements that will reduce the cost of moving goods.

***Strategy** - requires the Board to analyze the new federal regulations that are included in SAFETEA-LU and make state policy and funding recommendations that maximize the state's ability to access new funding. Creating public understanding of the importance of aggressively pursuing improvements to the freight delivery system will be a key in developing the necessary support for changes. The Board has developed an outreach video to educate the public on the importance of maintaining a strong freight mobility system that will continue to benefit our economy.*

***Statewide Result** - # 6 -Improve the mobility of people, goods, information, and energy. All of the Board's efforts are targeted to improving the mobility of goods and improving the ability of businesses to compete economically. (Result # 5, improve the economic vitality of businesses and individuals, would also be impacted by removal of barriers to movement of commerce)*

***Activity Inventory** – The 2005-07 budget funded many FMSIB projects, however the timeline will require projects to delay anticipated construction starts until the dedicated funding becomes available. The supplemental budget provided some additional funding for freight projects from federal dollars. Additional funding will be requested for the emerging high priority freight projects that are ready to go to construction during the 2007-09 budget cycle as well as accelerating some projects that are funded in the future but ready to go to construction now. These locally sponsored projects include safety and air quality elements.*

*All of the SAFETY-LU federal funding is an increase over the levels received by the state under TEA-21 with the exception of the former Corridor Program (Section 1118). The Section 1118 program was totally earmarked thus eliminating an important funding partner in freight mobility projects. The Board will advocate for a portion of the discretionary funds to be allocated to freight mobility corridor projects to replace freight funding lost through passage of SAFETEA-LU.*

3) The Board will form partnerships with the Governor, the Legislature, the Transportation Commission, the Washington State Department of Transportation, Transportation Improvement Board, County Road Administration Board, U. S. Department of Transportation, Ports, railroads, trucking interests, the Metropolitan and Regional Transportation Planning Organizations, local governments, the private sector, as well as other freight and transportation interests to promote an effective freight mobility transportation system for Washington State.

***Strategy** – Leveraging dollars and bringing public and private interests together will maximize Washington's overall efforts to increase trade and the states competitiveness.*

***Statewide Result** - #6 -Improve the mobility of people, goods, information, and energy – All of the Board's efforts are targeted to improving the mobility of goods and improving the*

*ability of businesses to compete economically. (Result # 5, improve the economic vitality of businesses and individuals would also be impacted by removal of barriers to movement of commerce)*

**Activity Inventory** – *Staff meets with various partners to retain partnership commitments and conveys changes and trends within the private sector to local and state governments to encourage knowledgeable planning efforts. The ratio of FMSIB dollars to partnership match funding is better than four partnership dollars to each FMSIB dollar.*

*The agency partners with other agencies to see that costs are kept to a minimum by utilizing an interagency agreement rather than duplicating services that are available at a lower expense, and works with other private and local governments to keep projects on schedule avoiding inflationary increases. The State is protected by statute from unanticipated increases because each project is assigned a fixed dollar amount and percentage that FMSIB has determined to be the appropriate freight share of a project. If costs go up, the state share is capped at the fixed dollar amount, if costs go down; the FMSIB share is capped at the assigned percentage so the state benefits from any project savings. The Board also facilitates a coordination of efforts and communication between partners.*

## **APPRAISAL OF EXTERNAL ENVIRONMENT, CUSTOMERS AND PARTNERS**

Washington State is uniquely positioned as a gateway to the global economy. As the most trade-dependent state in the nation, per capita, Washington's economy is highly dependent on an efficient multimodal transportation network in order to remain competitive in the world market. The 1998 Legislature established the Freight Mobility Strategic Investment Board to implement a program focused solely on freight movement. The federal transportation program, TEA 21, also recognized the importance of freight by adding a National Corridor and Border Development program. Unfortunately, Congress did not continue this highly successful competitive program but instead earmarked all the funds for the duration of the act. This is a significant blow to the local freight projects that had been able to compete well based upon their merits. The loss of anticipated federal funding will create a new challenge for project sponsors.

In 2005, the ports of Seattle and Tacoma handled over 4.3 million TEU containers about a 20% increase over the previous year stimulating increased employment opportunities. The current dredging of the Columbia River to allow ships to be loaded more efficiently will also improve freight transport from eastern and central Washington. A recent study by the Columbia River ports estimate that more than 40,000 local jobs with an average annual wage of \$46,000 are dependent on the river's commerce, and 59,000 more Northwest jobs are affected by such activity. The ports are making record investments in their dockside infrastructure to meet the extraordinary demand of increased freight flows that are arriving on our shore daily and are anticipated to grow in the next decade.

The challenge for the state is how to assure that freight is not impeded once it leaves the docks. The ports are counting on the state to make complementary investments in the infrastructure to move cargo once it leaves port property.

Steamship operators are looking at ports that can handle the increased flows efficiently, from Prince Rupert Canada to Manzanillo, Mexico. Currently, the largest container ship calling in Washington carries about 6600 TEU's (Twenty-foot Equivalent Units) but there are plans on the drawing boards for the next generation of ships that will carry 9,000 TEU containers and discussions of future ships that will carry 12,000 TEU containers.

The mainline railroads make private investments to improve their operations on a systemwide basis, considering where they will be able to maximize the return on their investment. A potential rail investment in Washington State competes with those across the country. Washington needs to foster an environment to attract additional investment in rail routes benefiting our economy.

In 2005 the Union Pacific Railroad employed 347 employees in Washington with an annual payroll of \$25 million and invested \$40 M in Capital improvements on their 558 miles of track and at their terminals. The BNSF Railway employed 3,300 employees with an annual payroll of \$175 million and invested \$100 million on their 1721 miles of track, terminals and equipment during the same period.

The trucking industry, which transports about 70% of freight that moves by surface transportation, is also experiencing increased demands and a shortage of qualified drivers. Urban congestion and federally imposed size restrictions as well as weight restrictions that are lower than Washington's weight limitation are creating additional inefficiencies. In 2003 trucks transported 78.6% of manufactured goods in the state employing 176,371 people or 1 in 14 jobs.

New large distribution centers will change some traffic flows and may necessitate additional satellite truck dispatch centers to accommodate volumes. In addition, traffic congestion is requiring the industry to open additional terminals outside of the King County area; some companies that make daily deliveries in King County have relocated as far away as Yakima.

The funding received for projects in 2005 and 2006 will accelerate stalled freight projects and we will work with sponsors to advance the projects as quickly as possible. As part of the 2005 budget, \$12 M per biennium was provided for freight projects in response to the \$50 M requested by FMSIB. The Board needs additional predictable dedicated capital funding to address emerging needs, and system deficiencies that local governments cannot address on their own. We will work with the WSDOT, regional transportation planning organizations, local governments, the private sector, other freight transportation interests and the public to encourage participation and involvement in identifying and developing unobstructed freight corridors for implementation.

## **TRENDS IN CUSTOMER CHARACTERISTICS**

Strategic freight corridors are becoming increasingly congested which results in freight movement delays. As wait-times increase, the state risks a reduction in its vitality as a trade driven economy.

World trade will continue to take place and grow, especially with our Asian trading partners. We are seeing an increase in trade from China in particular. Most goods are transported in containers now, and the ports of Seattle and Tacoma have been identified as the third largest container load center in the United States. The ports are making significant infrastructure investments and are streamlining cargo handling on their property but remain hampered by delays once cargo leaves their facility. These delays are a negative when trying to entice cargo to use Washington State as their gateway.

Washington's agricultural products benefit from low back haul rates for containers due to the imbalance of imports and exports in Washington's ports. The ports need to remain competitive to keep inbound freight coming into Washington State so our agricultural; food processing and manufacturing businesses can transport their products at the lowest possible cost, and thus compete in an international market. Increased security requirements are being developed which could alter the amount of time needed to handle each shipment and could cause additional delays which would add to transport costs and negatively impact scheduled deliveries.

More businesses are relying on just-in-time delivery to receive needed parts or stock retail shelves. The Boeing Company, as an example, now moves parts directly from transport to the shop floor for faster assembly. Transportation delays impact productivity and availability of goods.

Citizens are demanding more products through traditional "brick and mortar" outlets as well as via the internet and other e-commerce sources. Numerous new large distribution centers have recently located in Washington State to serve the region. To keep up with the public demand, producers and suppliers need to move products into stores and deliver directly to homes and businesses. Freight movement by air, rail and truck delivery has been increasing annually and is projected to double by 2020.

It is important to note that businesses regularly make decisions about shipping routes and facility location. Part of the business consideration is transportation costs. Congestion is a large factor in those costs. Ships, trucks and rail will adapt their business plans to continue to operate, and freight will be delivered, but some of the changes will be reflected in higher shipping costs for the consumer and a decline in productivity. Unfortunately, the Puget Sound area has developed a national and international reputation for congestion problems. However, offsetting that image is the nationally well-known fact that the State and Puget Sound region have given specific focus on improving freight mobility. The Freight Mobility Board provides visibility for the commitment and now with a dedicated funding stream for projects will be able to bring more predictability to project advancement. The many projects completed and underway are key to changing reality and perceptions. The state and region still have much work ahead in order to reach commercially satisfactory freight mobility objectives. This public demand requires additional capacity in our strategic freight system and removal of choke points.

## **STRATEGY AND CAPACITY ASSESSMENT**

In keeping with the Board's philosophy of keeping operational costs low, it is believed that the current workforce is adequate to carry out the agency's mission. The agency has one director and a confidential secretary shared-work position. Services needed by the agency are purchased through an interagency agreement, or from the private sector, whichever is more cost effective. The agency may need to plan for a move in the next biennium when GA determines the timeline for demolishing the building housing our office to construct a new office building. Any changes in civil service laws will not affect the agency, as all staff members are exempt employees.

## **PERFORMANCE ASSESSMENT**

### **Output: Number of barriers to freight movement mitigated by closure or separation of "at grade" crossings.**

*FMSIB has worked aggressively to keep partners committed and projects advancing. Our projects have been completed on time or early and within budget. The projects that are currently proceeding to construction face numerous cost increases due to increased steel, cement and petroleum product charges as well as impacts on availability of materials due to natural disasters like Hurricane Katrina. FMSIB will continue to work with our project partners to secure additional funding when necessary to remain on schedule and will report quarterly on the progress of our project. Our organizations performance can be favorably compared to any other transportation agency's performance.*

### **Output: Number of barriers to freight movement by removal of chokepoints.**

*FMSIB has worked aggressively to keep partners committed and projects advancing. Our projects have been completed on time or early and within budget. The projects that are currently proceeding to construction face numerous cost increases due to increased steel, cement and petroleum product charges as well as impacts on availability of materials due to natural disasters like Hurricane Katrina. FMSIB will continue to work with our project partners to secure additional funding when necessary to remain on schedule and will report quarterly on the progress of our project. Our organizations performance can be favorably compared to any other transportation agency's performance.*

**Output: Participation in public outreach meetings and forums.** *Participation in outreach efforts have expanded beyond just the meetings and forums involving the Executive Director to now include Board members who also regularly provide a voice for freight issues in statewide forums. Additionally, the Board authorized and created a freight documentary in the fall of 2005 called "Freight Mobility: Creating Jobs – Strengthening our Economy". The video has been very well received by a broad spectrum of viewers. The video has been seen on public access stations, Chambers of Commerce, at local government meetings, numerous statewide business employee meetings and some educators are showing it to their students. The Board is working on a shorter version that could be shown to service clubs and at forums where the available time is less than 20 minutes. FMSIB will market the video to large and small audiences around the state. FMSIB staff and Board members will continue to seek opportunities for outreach meetings and forums.*

## **FINANCIAL HEALTH ASSESSMENT**

The current law administrative budget being proposed by the Board is consistent with the Board members desire to minimize administrative overhead. The budget proposes funding for the Executive Director and a shared-position Confidential Secretary, and an interagency agreement that provides technical assistance and the necessary level of goods and services to implement legislative and board direction. We have reviewed our expenditures and there isn't a specific area where we spend the equivalent of what we would need to spend for a full time FTE to perform the task in house.

Board and agency staff will continue to seek opportunities to engage the public in dialogues advancing freight mobility issues and encouraging public policymakers to include freight priorities in local, regional and national planning and funding decisions.

The Board has developed a capital project construction plan that maximizes the state's investment while moving projects forward on a methodical corridor approach that will continue to improve our freight and trade corridors. The Board will continue to advance projects as quickly as possible to eliminate freight chokepoints and at grade crossings within the funding provided but the Board believes that a sustained program requires additional dedicated funding to address emerging needs and to be able to respond more quickly to the pressures created by the dramatic increase in freight movement

In keeping with the Board's goal of minimizing administrative overhead, we continue to use WSDOT Highways and Local Programs as our banker rather than duplicating this function with an in house staff.

The construction for the current list of locally sponsored projects is spread over sixteen years due to the timing of state funding. If funding was available sooner the projects could advance more rapidly. The Freight Board plans to issue the next call for projects in 2008 to maintain a list that reflects emerging freight corridor needs so momentum in corridor development would not be lost. Additional funding would be needed for the FMSIB share of the newly selected projects.

Conclusion: The partnerships, coordination and outreach endeavors listed above are carried out by a two person staff with support from Board members collectively and individually. The result is a highly levered, low out of pocket cost achievement of the reality and perception of greater freight mobility in this state.

## **DESCRIPTION OF COST REDUCTION STRATEGIES**

The Freight Board has aggressively worked to hold administrative costs down over the last few years by limiting all office purchases, seeking reduced rate meeting space and having staff assume more duties previously contracted out to other agencies. The agency has lived within its budget without requesting supplemental increases for the last eight years. The Board works with project sponsors on ways to save on construction costs where possible and with the agency's cap on financial participation protects the state from incurring additional expenses if project costs increase.

## **DISCUSSION OF MAJOR PARTNERS**

Operating: The agency actively partners with WSDOT for technical assistance through an interagency agreement. The office also works with DOT's efforts to identify and improve the State Freight Corridors and access Federal funding assistance with projects.

The agency works closely with the Transportation Improvement Board in coordinating efforts on joint projects.

The Country Road Administration Board is another major partner where coordinated efforts on projects as well as identification of county freight and goods needs are gathered to create a comprehensive map of overall state freight requirements. CRAB manages the Freight Board website through an interagency agreement.

The agency staff works directly with project sponsors and partners assisting in project development, and cash flow requirements. In some instances the agency brokers agreements between partners. The staff also provides information and counsel to local governments who either have a project that is part of the FMSIB list or prospective partners who wish to be considered. That guidance effort saves money and time for all parties and provides coherence and consistency in the development of freight corridors. The WSDOT no longer submits projects to the Board for evaluation so the agency is not able to provide unbiased freight benefit assessment of state highway projects as envisioned in RCW 47.06A. The statute was created to assure that all projects identified as significantly improving freight are measured by uniform standards.

Railroad, port, trucking, steamship and other private sector partners are engaged routinely to maintain an open dialogue, identify impediments to the movement of freight, assist in project selection, determine priorities and secure financial participation in projects. The rail, port, truck and steamship operators consider the Freight Mobility Strategic Investment Board as their voice into state freight policy.