

MEMORANDUM

Date April 24, 2009

TO: Tay Yoshitani, Chief Executive Officer, Port of Seattle
Tim Farrell, Executive Director, Port of Tacoma

FROM: Kurt Beckett, Dan Burke, Port of Seattle
Mike Reilly, Allison Smith, Stephanie Bowman, Sean Eagan, Port of Tacoma

SUBJECT: Briefing on the Joint Port Commission Transportation Infrastructure Framework

BACKGROUND

In April 2008, the Port of Seattle and Port of Tacoma Commissions directed Port staffs to begin to look at areas of effort where each Port would benefit through cooperation. One of these areas was infrastructure. The Commissioners forwarded some infrastructure issues discussed at the meeting, including competitive threats, rail capacity, failing infrastructure and funding issues.

Staff from both Ports brainstormed a long list of roadway and rail projects important to the operation of each Port. Additionally, staff identified critical policy initiatives at the Federal, State and Regional levels, outlined key Federal and State upcoming legislation and developed a list of key funding Principles.

In a "Transportation" White Paper, staff proposed a narrowed list of projects that would improve both rail and roadway infrastructure capacity and efficiency. The staff proposed investments that would improve rail capacity across Stampede Pass, along the I-5 Corridor and along the Columbia River. Staff also recommends working with the BNSF Railway and the Union Pacific to determine ways to improve rail access and competitiveness.

The White Paper also identified key roadway investments which would create new capacity, preserve existing capacity, eliminate chokepoints, support high-value air freight corridors, support the maximum use of existing facilities and protect/improve major truck routes.

Following the October 8, 2008, presentation, the POS and POT Commissioners concluded that in the current economic climate it was difficult to pursue a large list of costly infrastructure recommendations. The Commissioners directed the respective staffs to evaluate all the projects and recommend two or three each for consideration of the POT and POS Commissioners. The Commissioners would then select the desired projects to support in the upcoming legislative session and other efforts.

Staff from both Ports reexamined the project list based on a series of criteria including improvement to regional or local freight mobility, Green House Gas Reduction, response to competitive threats and project readiness. These criteria evolved into the concept of the "Four C's" which became important elements of each project.

The "Four C's" are:

- Congestion relief
- Competitive enhancement
- Clean environment
- Connectivity for the network

Port staffs also met with staff from the State Rail Office, the Washington Public Ports Association (WPPA) and the Port of Vancouver to discuss key projects that help provide improved freight capacity of the rail mainlines. Stampede Pass remains an important mainline corridor, and improvements will be needed there to meet longer range goals; however, staff believes that improvements along the I-5 corridor are needed now to help freight and passenger rail operate better, and to increase the competitiveness of the I-5 mainline to the Stevens Pass/Stampede Pass mainlines. The rail recommendations below reflect input from that meeting and are shown on attached chart and map. (See chart on page 6 and map on page 7.)

TODAY'S BRIEFING:

Port staffs will update the POT and POS Commissioners on the recommended infrastructure road and rail projects, policy choices/tradeoffs and legislative strategies for funding infrastructure. Since the High Priority Infrastructure Project list was developed in January 2009, Port staffs are also providing an update on project funding through federal stimulus funds or other sources since that time, as well as legislative actions from the recent session.

INFRASTRUCTURE RECOMMENDATIONS, AS OF JANUARY 2009, INCLUDE:

*NOTE: As of April 2009, there has been progress from a policy standpoint and in securing funds to advance these projects. (See chart on page 6.)

Rail: (Policy)

- 1) Ellensburg to Lind sunset clause extension (this is a first step in the program to address crowning and other medium range improvements of Stampede Pass).
- 2) Broad discussion between the railroads and Ports, including a visit by Port CEO's to railroad headquarters, to develop a strategy to maintain Washington State as a major international gateway and to keep the Pacific Northwest competitive for container cargo and international goods.

Rail: (Projects proposed to apply for Stimulus funding)

1) Construction funds from Passenger Rail \$8B

I-5 rail corridor projects, including funding gaps for:

- a. Vancouver Bypass (High Priority WSDOT project with a \$68M funding gap).
- b. Point Defiance Bypass (High Priority WSDOT project with a \$60.5M funding gap + an additional \$34.5M Sound Transit gap for a total of \$95M).
- c. Kelso Martin Bluff (multiple projects) with a funding gap of \$222M.

2) Construction using stimulus funds and other sources (to include \$1.5B multi-modal funding)

I-5 freight rail corridor projects, including funding gaps for:

- a. Port of Vancouver access project (Port project with a \$7M funding gap, which would increase mainline capacity by 25% when completed).
- b. Blakeslee Junction multiple projects with a funding gap of \$32M.

Roadway:

- 1) Lincoln Avenue Grade Separation(\$22.6 m funding gap)
- 2) Spokane Street Viaduct Corridor (\$50 m funding gap)
- 3) East Marginal Way Grade Separation (\$16.2 m funding gap)
- 4) 11th Street Viaduct Improvements (\$5 m funding gap)

COMMISSIONERS' PREVIOUS DIRECTION:

April 1, 2008: Commissioners from the Ports of Seattle and Tacoma participated in a joint study session focusing on current and future cooperative efforts, including infrastructure. The Commissioners called for creation of an "Infrastructure Issues Study Group."

October 8, 2008: Infrastructure Issues Group presented Transportation White Paper, plus information on Federal, State and Regional Policy Initiatives, Federal and State Legislation and Funding Principles to the POS and POT Commissioners.

The Commissioners requested a refined project list with a limited number of "top priority projects" for consideration in the coming year.

Infrastructure Legislation Proposals

Context: Congress is scheduled to re-authorize the 6-year Surface Transportation Act (SAFETEA-LU) this year. The areas outlined below represent policy positions/preferences that are being conveyed to Federal lawmakers.

National Freight Program: Program Development Recommendations

Support the creation of a national freight program in the surface transportation reauthorization, recognizing that several national governments are making an unprecedented public investment to establish competing trade gateways, in order to capture trade flows bound for the US marketplace. A national freight program should establish adequate funding levels to ensure a level playing field.

- Develop a freight trust fund, dedicated to freight, fully spent, and awarded to projects on significant corridors based on a cost/benefit analysis (including Port connectors on "the last mile").
- Ports should have an integral role in policy development and direct access to program funding.
- POS/POT opposes a fee solely based on containerized cargo. If Congress adopts a port cargo fee, it should be levied at all points of entry (air, land and sea) and on all types of cargo (imports and exports).

Update: The Ports of Seattle and Tacoma have coordinated with the Coalition of American Gateways and Trade Corridors (CAGTC), the American Public Port's Association (AAPA) and the American Association of State Highway and Transportation Officials (AASHTO) to support a framework for a National Freight program that would hope to include a Freight Trust Fund (FTF) or an exclusive, firewalled funding source for freight infrastructure needs. The Ports continue to support a new funding source that is user based and not focused on international cargo at gateways. If fees are levied on international cargo, they should be applied to infrastructure serving that cargo.

The 2009 Federal Stimulus Bill provided some momentum for this effort by including a discretionary pot of funding (\$1.5 B) for large, metropolitan intermodal infrastructure needs. The freight community hopes it will be a model for a future National Freight Program, with its own funding source, in the re-authorization of the Surface Transportation Bill.

National Freight Program: Funding Mechanisms

POS/POT believes a combination of funding mechanisms will be necessary to address freight mobility needs in the U.S. Examples of proposed mechanisms include:

- New fee/tax collected by Customs and devoted to funding freight infrastructure improvements.
- Bill of lading-based fee based on cargo value and or cargo weight (or "whichever is greater"). This would impact all freight movement nationally.
- Increase in the gas tax and future indexing mechanisms with a percentage of new proceeds dedicated to funding freight infrastructure improvements.

- Increase in the diesel tax, as above.
- A portion of any new carbon tax or climate change program revenues be made eligible for freight investments to reduce its carbon footprint.
- Public Private Partnerships where each sector pays in proportion to the benefits they derive.
- Tolling or Vehicle Miles Travelled fees.

Update: All of the funding concepts above are still on the table. The port freight community continues to argue that any fee levied on gateway cargo should be focused on infrastructure improvements near gateways. There have been some discussions of re-evaluating the use of HMT funds for donor ports for use in other infrastructure investments.

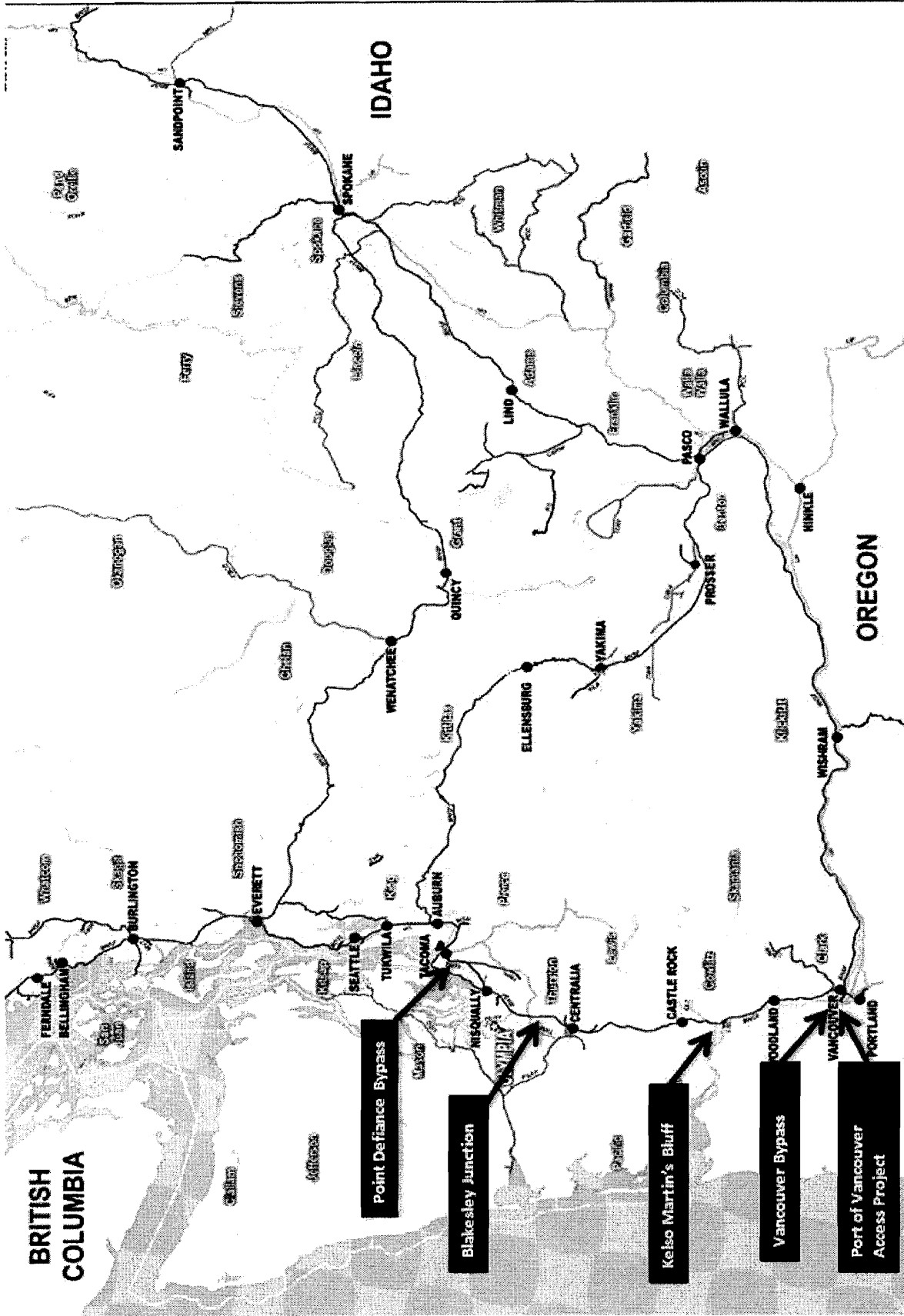
National Freight Program: Rail Funding Considerations

POS/POT support investments in freight rail that make the system safer and more efficient, improve environmental sustainability, and encourage competitive rail access to ports. The federal transportation program should:

- Provide tax credit incentives for both main line and short line railroads to invest in port access.
- Include a grant program with cost-share for projects with both public and private benefits.
- Define freight corridors of national significance that would be eligible for rail investment.
- Increase expertise in state DOTs/MPOs on rail access issues.
- **Update:** The Federal Stimulus program included \$8 b for high speed rail improvements which would invest in passenger rail improvements which would reduce conflicts with freight rail. The joint recommended rail projects are all eligible for the high speed rail funds and we are coordinating with the State Rail Office, the Washington Public Ports Association and the Port of Vancouver to seek funds for critical projects.
- The Ports will propose to continue to work with the railroads to ensure that the Pacific Northwest stays competitive for international freight. Rail Rates and infrastructure investments are critical issues. Northwest Port CEOs will discuss with the railroads their strategies to keep the northwest competitive while keeping the railroads healthy.

Project Status Update:

Status of Recommended Projects	Funding Gap	New Funding	Status
Ellensburg-Lind Sunset Clause			Passed 2009 Legislature; waiting for Governor's signature
Port/Railroad Coordination			Meetings with west coast ports planned; Planning joint trips to railroad offices, SW Washington and possibly DC
Rail	Funding Gap	New Funding	Status
Blakeslee Junction	\$32M	\$0	Coordinate with State Rail office on stimulus grants
Kelso Martin Bluff	\$222M	\$0	Coordinate with State Rail Office on stimulus grants
Vancouver Bypass	\$68M	\$0	Coordinate with State Rail office on stimulus grants
Point Defiance Bypass	\$95M	\$0	Coordinate with State Rail office on stimulus grants
Port Vancouver Access Project	\$7M	\$2.5M stimulus (state)	Port of Vancouver is seeking additional \$ to construct first phase (remove crossings of mainline)
Roadway	Funding Gap	New Funding	Status
Lincoln Ave. Grade Separation	\$27M	\$15.4M stimulus	Port of Tacoma will fund remaining
Spokane Street Viaduct	\$50M	\$15.4M stimulus	Proposed State Transportation budget funds final \$10 m
East Marginal Way Grade Separation	\$17.2M	\$17.2M	Port of Seattle has funded remaining gap
11 th Street Viaduct	\$5M	\$0	No action



Washington State Rail System

Legend

<ul style="list-style-type: none"> — BNSF BNSF Railway — CB&Q Canadian Pacific Railway — CLC Columbia & Central Railway — CECO Columbia & Central River Railway — CWA Central Washington Railway — CNWY Great Northern Railway 	<ul style="list-style-type: none"> — GPR King of the Hill Railway — LMC Lewis & Clark Railway — WRL Western Railway — RCC Rainier, Cascade & Columbia River Railway — PWA Puget Sound & Pacific Railway 	<ul style="list-style-type: none"> — TCW Tacoma, Central & Olympic Railway — SGR Spokane & Great Northern Railway — SSWR Spokane, Walla Walla & Wenatchee Railway — UP Union Pacific — URS United States Railway — BCTT Ballard Terminal 	<ul style="list-style-type: none"> — BPR Brierley Park Railway — CSC Cascade & Central Railway — MSA Mount St. Helens Railway — MPT Mount St. Helens Railway — BE Brierley Park Railway 	<ul style="list-style-type: none"> — SPT Spokane Valley Railway — RMC Regional Municipal Rail Authority — WSA Western Shoreline Railway Association — YRA Yakima River Authority — WPT Western Pacific Transportation Company
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