Appendix B: Panel Discussion Notes

The Freight Transportation Challenge – The View from Mississippi

Senator Trent Lott

• Important that we get together at all levels – city planners, Federal, etc.
• Making plans for moving freight is critical to this country. We’re going to have to have a reliable freight system, including trucking, better capacity in railroads, better air freight, this is critical to the future of our country. Important that we come together in every possible venue to talk about how we’re going to do a better job in the freight arena. Need to talk about ways to improve safety and capacity.
• A few years ago in MS we realized that if we’re going to make progress, we need to focus on jobs, transportation and education. They are all linked in every state. A key ingredient is transportation infrastructure – lanes, trains, planes and ports. We need the whole package.
• Was involved in building the first phase of I-69, will continue to work on this.
• Worked with railroads to improve bridge overpasses in MS and improve rail services.
• Working to get better air service in MS, have direct service to Reagan National, BWI, will soon have direct service to Newark.
• Highway Bill – very laborious to get this through Congress. Always felt that State DOTs should have more flexibility and do more innovative things with their highway funds. It’s not just highways anymore, it’s all transportation. We did get this flexibility in the Bill so states can work with railroads and get highway service to ports. Also have a major improvement to highway system.
• Very concerned about highway safety. Need to always be cognizant of dangers of highway and how we can improve safety. Told states that if they pass seatbelt laws they will get additional money. It took MS legislature less than 2 months to pass primary seat belt law.
• Area of focus this year for Senator Lott is freight rail capacity. Got more capacity for short line rail roads but now our long line rail roads need this too. Railroads are investing in infrastructure improvement, but we need more done. We need additional lines built. Working on legislation to do this. Freight Rail Infrastructure Capacity bill – tax credit for anyone making qualified investments into new and expanded freight rail capacity. Are meeting with representatives of all stakeholders to make sure that while we are giving incentives, we are also considering the needs of shippers to make sure they have access to the system in an affordable way. This is the next critical step to infrastructure expansion for freight rail. Trying to make sure we have support from all Senators from across the country, but particularly Senators on the Finance Committee. The bill has not yet been introduced yet, currently considering ways to adjust and improve this important legislation. This could be the most important thing we do this year for transportation.
• One other area is the Federal Aviation Administration reauthorization. It’s going to be a challenge. Looking forward to developing a bill that looks into the future of FAA, what we need in aviation, how we’re going to improve our air traffic control system. We’re still working with a system that was built in pieces in the 1950s. Need to modernize system, use satellites.
• Freight Rail bill and FAA reauthorization will be the two biggest pushes in transportation this year.
• Invite your attention and would like to get your input on how to make these bills as good as possible.
• We really need to be innovative, America will continue to make progress in transportation, but if we’re going to remain competitive in the world market, we’re going to have to come up with ways to fund what’s needed, will need to make tough decisions on how we’ll use technology, deal with personnel problems. Would like to know what areas you think we could do more to do a better job, what other issues should we be addressing?
The Freight Transportation Challenge – The Federal Perspective

Jeff Paniati, Federal Highway Administration

- Fortunate that Tony Furst, who has been focusing on multimodal freight perspectives, will be stepping in for Jeff Shane.
- Want to reflect on where we’ve come since the first Freight Partnership meeting in Columbus in 2005. Heard at the first meeting about the need for establishing a National Freight Policy. We think we have this now, need your input as we move forward and also need your support and leadership. You talked to us about how important it was that USDOT bring forward knowledge and education in freight. Through our FPD program we’ve tried to create course, and establish a community of practice both electronically and through freight peer to peer. You talked to us about needing to provide freight data in an open environment. In the second version of the freight analysis framework we’ve done it in an open way to make data accessible. Have established a number of pilot projects on how to take data and make it usable at state and local level. Also talked about establishing ways of working together on regional projects. The DOT through its congestion initiative has initiated the corridors of the future program – an opportunity for states and jurisdictions to work together to identify capacity needs on existing corridors. Got over 40 proposals, the Secretary recently announced 8 corridors that will work with the DOT to move forward.
- At this meeting, trying to listen to your needs. We have collectively moved forward in getting people to recognize the problem, but we need to move from the point where we’re celebrating the problem to the point where we can work together on solutions. Hope that is what comes out of this meeting.

Tony Furst, Federal Highway Administration

- Knows that Jeff Shane really wanted to be here.
- We do listen to what you have to say. The number one thing identified in Columbus was that we need a national freight policy. We took this back to Jeff Shane and created a National Freight Policy. Now we need to make the Policy known and move it forward. We look forward to the input you’ll provide. It’s not just about putting strategies and tactics up there, it’s all about the actions you will take to make the strategies and tactics a reality.
- Many of the people in this room have been laboring in this field for a long time – thank you and congratulate you. Think the work you have done has paid off.
- Think we’re over the hump in getting freight planners to acknowledge freight needs. At the point where larger forces are coming into play. SAFETEA-LU has a number of freight programs. There are a number of GAO studies on freight that Congress is doing.
- What are the next steps? Freight Champions will play a vital role. Jeff Shane has played this role in the DOT. He helped to get the Commodity Flow Survey fully funded – this survey fed into the FAF2. He has brought the DOT together to support National Freight Policy. Has also worked with private sector. He is looking to establish an intermodal council.
- The number two item identified at Columbus was the need for multijurisdictional arrangements to address capacity. Corridors for the Future will address this. Eight corridors were announced on February 7 (showed a map identifying the corridors).
- Showed maps showing freight movement in 2002 and projected movement in 2035 based on commodity flow survey data.
Private Sector Perspectives
Tracy Rosser, Wal-Mart
- Walmart.com brings a whole new challenge in terms of getting goods to customer.
- Add about 2 distribution centers to network per year.
- Run the most timely routes, fewest miles, to get from stores to distribution centers.
- Have diversified port network in order to mitigate risk of just using LA/Long Beach.
- Use direct to store delivery for things like soda, potato chips, bulky items that don’t fit well in distribution center.
- Have a combination of rural and metropolitan markets – will continue to see northeast and western markets grow.
- Seattle, LA, Houston, Savannah, Norfolk – there is a lot coming in from here. There aren’t a lot of places in US that are making products these days. The general merchandise is coming in from the fringes, this is where density will continue to grow as global markets grow. We are exporting a lot of products from the U.S. to overseas.
- Major transportation challenges listed on slide align with the challenges identified in the survey.
- Reliability and consistency in the supply chain is important.
- Using nights and weekends for deliveries – there aren’t congestion issues then. There are specific points in the day when there is congestion but there is all this other available time without congestion.
- Running doubles on rail through NY – this is the safest fleet operation.
- Wal-Mart keeps its trucks longer than typical trucking companies.
- Need to focus on flowing freight efficiently – need to work with aging highway and rail infrastructure, limited resources, globalization, security. Need a transportation policy that has a positive impact on these areas.
- What you’re doing at this meeting is very important. In order for U.S. economy to keep moving ahead and be competitive in global environment need an infrastructure that supports domestic and global trade. Need to find unproductive areas and attack them. Need to determine where new needs are and then go after them, apply resources. We made a major leap 50 years ago with the highway system, what will be the next major leap to support the infrastructure that’s rapidly aging today?

Paula Dowell, Wilbur Smith
- There is nothing more valuable that public sector planners can do than learn and understand how what you do impacts the competitiveness and productivity of private industry.
- Freight transportation is multi-jurisdictional by nature. Most of the decisions you and your staff make on a daily basis are focused on “what does it mean by my region”, but what it means to the competitiveness of the country is really outside the scope of what most of you do. In order to really start planning and ensuring an efficient freight system we need mechanisms that allow us to do planning across geographic boundaries.
- We have a lot of great coalitions of states coming together and recognizing that what they do impacts each other. But once we move to implementation of strategies and recommendations, that’s where we run into a lot of roadblocks. We really need to start challenging the concept of how we go about developing a core framework at the national level where we can make investments based upon the overall benefit. We are taking some steps in that direction.
- Mexico Multimodal Freight Corridor Master Plan – working on this with Global Insight. Outlining key trade corridors to come up with a master plan that strategize and prioritizes freight projects across the national network to maximize the return on investment. Want to push this concept up to the U.S.
- In Canada – outlook for economy is based on U.S. consumer demand. So our planning needs to go beyond national level network to a North American Freight network. Put this challenge out to all planners out there. Start working with your neighbors, talk about how what you each do impacts each other, see if you can start to find some points of cooperation. Also talk to your private sector stakeholders, they can give you insight on how you’re doing in terms of maintaining an efficient freight transportation system. This allows you to go back and make the argument for freight transportation spending.
Private sector industries have to take the transportation system as a given into their overall production process. They can maximize profits by minimizing costs. The transportation system is a very important component of costs. They develop strategies for overcoming inefficiencies in a network over which they have very little control. Most private sector people say that they would spend money on operational solutions as opposed to just building more infrastructure. This isn’t to say more infrastructure isn’t needed, but don’t overlook operational solutions. Getting to be a facilitator of making these operational improvements takes getting to know the private sector. In many cases, the private sector are making these improvements on their own, such as off-peak delivery. This has been successfully implemented and there are some good case studies. In Atlanta during 1996 Olympics they imposed on private sector requirements for off-peak delivery. There was some grumbling but it turned out to be a very effective program.

Joe Bryan, Global Insight

The U.S. is becoming a trading nation. In the 1950s, a company was located in one place. Not any more, now companies are distributed all over the place. Transportation doesn’t just provide links, it’s part of how an enterprise functions. Companies like Wal-Mart are ones that are integrating the whole system. We need to look at it like a system. Our interrelationships with other parts of the world are important to how our businesses work. How we put money into transportation needs to be viewed as how we make our businesses thrive.

In the past our percentage of GDP that went to foreign trade was under 10%, now it’s about a quarter of GDP.

When we stress that the rail industry connect freight transportation and public benefits, we start to make the size of the market that the rail industry is interested in bigger. If they are left to themselves they will only focus on the long haul business. If the public pushes for short haul business they will start to see how their market can grow.

We’ve talked a lot about modal and jurisdictional silos. One of the ways we’ve tried to solve this problem is with the growth of corridor coalitions. This is good, but corridors are not networks and networks are how everything works. We need to figure out how we tackle the program regional. Encourage states to look at your neighbors and think about how you might align your freight programs so that you have a regional strategy that makes sense. Without changing laws or money, if you at least focus on this it will change the way we behave and it will have cumulative effects on the network.

Saw in Atlanta “Not in my backyard-ism” – all growth was taking place on north side of town. Got to the point where all the growth in the city made it hard to get goods from north side to south side. They ended up putting in a new terminal – had to work with the city government to do this. Need to begin to educate everyone around the nation how there is a vital connection between having a truck terminal and the public having jobs.

This is a problem we can solve with education – we have lots of people skilled in advertising and education, need to start putting money into this to show people how freight helps them.

We need to work at these things and we need to work with our neighbors. We need to figure that we’re all in it together.
Modal Perspectives
Clifford Eby, Federal Railroad Administration
• Here for Joe Boardman, Administrator – he sends his regards. He had to testify yesterday.
• How will we finance some of these infrastructure projects – from the rail side the railroads are now starting to look at public involvement in financing. From a highway perspective we’re embracing private investment. From the port side, they are trying to balance both of these areas.
• In the vision for freight the first tenet is efficiency – it’s easy to say we can build infrastructure but it’s hard to do it efficiently. Over the past 25 years transportation logistics in U.S. has gone from 16% of GDP down to 10%. Want to continue to drive this GDP lower.

Frank Hardesty, Association of American Railroads
• Here for Ed Hamburger – he has had subcommittee meetings.
• North American freight railroad industry contains about 600 railroads, 180,000 miles, 186,000 employees in U.S., also host major portions of AMTRAK and commuter rail service around the country.
• In recent years intermodal has been the fastest growing commodity. This growth has been one of the factors that has caught the attention of highway planners – the opportunity to move freight by intermodal rail service.
• Shoreline and regional railroads have taken on a much larger role.
• High natural gas prices have driven coal traffic levels to new records.
• We are now handling more freight than ever before. 4 years ago handled 500,000 carloads/intermodal units each week, by last fall we were moving 580,000.
• Traffic on our network has doubled since 1990 and tripled since 1980. One result has been the emergence of capacity constraints on key locations around the network. At times these constraints have hurt performance to the point where we created service issues to our customers.
• Railroads are working hard to resolve capacity issues. Have hired thousands of new employees, working to revamp operating plans and employing new technology to make the best use of existing assets, and also buying new railroad cars.
• Investments are very costly. Spending is growing for Class I railroads.
• Rail is a very capital intensive industry. As long as we can earn a return on the capital railroad investment, and freight rail continues to grow, then railroads are committed to expanding capacity. There is growing recognition that more needs to be done than we are able to do. AASHTO’s bottom line rail report made a tremendous contribution to telling this story.
• Return on investment is critical to the railroad industry. If return exceeds cost of capital than more capital spending is possible and we can have more reliable service. When it falls below cost of capital, investments will be curtailed and service will gradually become slower and less efficient.
• 2005 was a very good year for freight railroads and 2006 was even better. Some claim we are in a position to reduce our rates and pay higher wages, but we cannot see how these claims can be justified. We are still below meaning earnings for all Fortune 500 companies.
• Reregulation would mean reduced capacity and service.
• In the last few years the industry has been more accepting of working with public investment to provide the capacity we need. One of the proposals is the 25% tax credit for tax credit (as Senator Lott discussed). This is carefully tailored to apply to new and expanded capacity such as adding a second main line to an existing line, building new intermodal yards. The eligibility would extend to non-railroads, it goes to any party making investments in improving rail quality. It would put us on equal footing with our competitors in the highway and water modes.
• Public-private partnerships can also help. Just starting the Heartland Corridor in the East. These projects can bring a combination of public and private benefits. These can work when you have benefits both for public and railroads and each party should be expected to pay for the benefits that it receives.
• There are many other issues that will affect our ability to provide service.
John Horsley, American Association of State Highway and Transportation Officials

- Truck volume is going to more than double between 2004 and 2035.
- Marketplace is saying we need more timely delivery, more high value commodities. Trucking can be more responsive to this than rail.
- Highway is carrying 10,000 trucks per day per mile in 2005, in 2035 it’s expected to increase to 22,000 trucks per day per mile. Today there are only 30 miles on the interstate that are carrying 50,000 trucks ADT. I-81 in VA is carrying about 20,000 trucks per day per mile. This shows that we’re inevitably going to have to turn to truck only lanes.
- AASHTO thinks FHWA is on the right track with the National Freight Policy Framework. This is a great thing. However, the objectives of the framework have no mention whatsoever of money. How will we pay for this? This is because it came from Federal government. But State governments have to talk about money. If the volume is growing and there’s no capacity, we need to find a way to pay for it. State DOTs worry about the cost of doing business – the cost of construction.
- AASHTO forecasts that between 1993 and 2015, the cost of doing business for highway construction will have gone up 70%. That tells us that if we just want to be able to build the same amount that we were building with the same amount of dollars, we’ll need to increase the funding from the Federal program by 70%.
- The time is approaching where Congress is going to have to make another adjustment in the Federal fuel tax. It will take $0.03 just to sustain the program at the level that Congress has already approved. If we don’t get the 3 cents the Federal program will have to be cut by $11 billion in 2010. It will take $0.07 to grow the purchasing power back to where it was.
- AASHTO has been doing analysis of the quantum increase in highway capacity that the country needs. 1/3 – 1/2 of the solution will come from tolls or public/private ventures supported by tools. This means that ½ - 2/3 of the solution will need to come from taxes.
- We don’t think we can do our job alone. We need to also look at ports and rail. We agree with AAR that you need public sector support. Now want to work with Congress and railroads to identify how.
- We have to look beyond the Highway Trust Fund. We want to explore the feasibility of tapping 5-6% of Customs fees to support port access. Also add container fees. Think investment tax credit for rail capacity is a great idea.
- We think we need to broaden the dialogue with the private sector and American public on what is really at stake. What is really at stake is the economic competitiveness of America in the global economy.

Kurt Nagle, American Association of Port Authorities

- We are not maintaining the port system at its current draft to handle today’s needs. There isn’t adequate funding at the federal level to allow the corps of engineers to improve and modernize the channels into our ports.
- A major problem for ports outside of gates is the intermodal connection between the port facility and the interstate highway system. A separate funding program for landslide access to ports was included in the House and Senate bills, but it was excluded from the final SAFETEA-LU bill.
- Looking at other options like short sea shipping. Need involvement of all modes. It’s not a matter of taking away from one mode, it’s more a matter of all modes working together.
- National Freight Policy Framework is a significant achievement by FHWA to advance recognition of freight.
- There aren’t enough federal dollars being put toward funding DOT initiatives, much of the funding is being put toward planning for future projects but not implementing projects.
- We are looking at several ways to address challenges we are facing. Freight Stakeholders Coalition – working together with all various freight stakeholders to develop common initiatives we can support and address to help us move toward being able to accommodate trade growth.
- Sharing and partnering is vital to resolving the freight transportation challenge. AAPA recently started a SHARE program (see slide for acronym) – geared towards sharing experiences and lessons learned on getting more out of existing infrastructure and using our ports more efficiently, but also broader than just the ports, how can all modes work together.
**Day 1 Lunch**

**Mississippi Governor Haley Barbour**
- MS is the only state where the transportation department doesn’t work for the governor.
- Transportation is important to economic development. To grow our economy we need to have a strong working relationship with the DOT.
- Need to learn to better utilize other forms of transportation besides trucking. Need to put containers on rail, on the river, on the Intercoastal waterway.
- There are 3 large ports on the Gulf of Mexico in MS that can serve to move freight from rail and truck and resort it as it comes in through the Gulf. The amount of freight that comes in through the Gulf will continue to increase. This means more jobs for MS and intermodal facilities. Distribution is a very large part of MS’s economy.
- Illinois Central Railroad (now Canadian National) has been part of MS’s history for nearly 1.5 century. We have a great future with this railroad as well. Rail is important to us. Introduce Senior Vice President of Canadian National for the Southern Region, Gordon Trafton (standing in for Hunter Harrison).

**Gordon Trafton, Canadian National Railroad**
- CN is one of 7 Class I railroads. Class I is the major carriers of the U.S., carry a lot of tons across a large geographic area.
- CN serves 3 coasts – Pacific, Atlantic, and Gulf.
- A lot of business is coming up through South America and coming into the ports in the Gulf.
- Things are changing, it’s an international marketplace today.
- It’s a tough environment that we have to deal with but we have a very high service ratio.
- MS falls within southern region – for CN, the southern region is all of U.S. operations. Have 4 divisions – one is headquartered in Jackson (everything from Central IL south is in this division).
- Company covers 19,000 track miles. 1,138 miles in the U.S. 515 employees. Annual payroll amounts to $5.4 million. 850 customers served in MS. Generate nearly 192,000 loads per year inbound and outbound.
- CN is a major taxpayer as a result of owning a lot of property in the U.S.
- Operating philosophy – look at 5 key principles.
  - Service – do what you say you’re going to do. We need to work very hard at what we commit to do day to day.
  - Cost control – manage everything from pagers and cell phones to $2.5 million locomotives. Need to figure out how to get the most out of cost operation on a daily basis. Cost control does not mean cutting costs. We have to control costs in order to grow business.
  - Asset utilization – Locomotives, freight cars, trucks, cell phones, pagers, etc. they’re all assets. Need to make sure we’re using them to fullest extent possible.
  - Safety – don’t get people hurt, don’t have accidents. Put millions of dollars into plan for safety. Safety is all about people. Have improved our safety record over the past few years, but need to make sure people understand we’re talking about you – the employees, your families.
  - People – this is the biggest asset we have. We recruit 300 – 400 employees in the southern region every year. We can’t make the other 4 principles happen without people. Need to find ways to provide the tools to enable those people to grow and become leaders.
- Strategy for now and the foreseeable future is to be a railroad. We think we do a pretty good job of this.
- We will be expanding our horizons as we move into the future. CN has been limited as far as its footprint in the U.S, but has continued to grow. We will continue to look for opportunities to grow railroad business but there are other lines of business that we are looking into – logistics, trucking, import/export and other ways to provide services that benefit the customer and allow them to ship on
the railroad. The railroad is the key foundation to what we do every day, the other businesses are intended to support the railroad as we grow into the future.

- There is a lot of freight out there today to move no matter what mode you are talking about. There is a need to continue to grow those transportation networks to ensure reliable service to customers.
- CN believes we’re in business as a public entity and as a result our profits are put back into our property. We take the responsibility of financing our own operations. We’re in this to make a profit but we’re also in this to do what we need to do to provide the capacity that’s needed.
- The Federal government does play a role in financing grade crossings and repairing crossings. The government also pays a role in assisting smaller carriers.
- Class I carriers typically have a higher labor cost than smaller carriers, so smaller carriers can compete very effectively with Class I when it comes to cost.
- Why do we do business in MS? Because it’s a positive business climate. There are a lot of opportunities opening up. This state has a lot to offer, such as labor force, companies such as Nissan.
- MS has made great strides in the area of tort reform. Congratulate the governor for this.
- Business challenges that CN faces – attracting more business to MS and states in which we operate. Key challenge is to ensure there is enough traffic on rail lines to continue doing business. When the traffic levels are low or nonexistent we have an obligation as a private company to make sure we’re doing everything possible to provide the shareholders with the return they are expecting. If those opportunities don’t come it leaves us with few choices. In the end, it takes all of us to work together to grow MS and the businesses within the state.
- Crossings in communities poses challenges – safety standpoint, also slows traffic down, and creates situations that require additional investments such as signalization. We want to continue to work with MS DOT to minimize the number of crossings and make sure the trains are moving along and trains and automobiles aren’t coming together at those locations.
- Threat of economic regulation is another challenge. Railroads are running a business to be as efficient as possible, but when we talk about reregulation we’re talking about going back to a model that didn’t work years ago and would be less cost effective and less desirable in terms of service.
- Passenger trains are a challenge. Think of driving on a highway and someone is zipping past you at 70 and someone else going 55. This is what happens when you co-mingle freight and passenger, freight moves slower and passenger trains are going much faster. The more and more passenger service you add to the freight lines, the more interference you have and the more difficult it is to operate a freight railroad effectively.
- CN looks forward to continuing to serve the needs of our customers in MS. It’s all about partnership, we can’t do it alone, none of us can. No matter what mode of transportation you’re in, we need to work together to grow the business and business climate.

Mississippi State Senator Billy Hewes (Chairman of Transportation Committee)
- Rail has played such an important role in shaping our country. Our highways are so congested, need to do more to move freight off highway and onto rail.
- Rail and railroad barons had a lot to do with formation of our national parks.

Mississippi Representative Bill Miles (Chairman of Transportation Committee)
- Amazed at the continue need we have to maintain and build infrastructure
- Can allow highways to deteriorate, allow rivers and ports to silt in, allow other facilities to dilapidate and you can have all the money in the world but you’d still be bankrupt.

Freight Partnership II Meeting Proceedings –Appendix B
Where do Freight Champions Come From?

Ray Balentine, Mississippi Department of Transportation

- Champions come at any level, there is not a cookie cutter model.

Patrick Dennis, Toledo Metropolitan Area Council of Governments

- Why is an MPO interested in freight? Within a 500 mile radius of the city of Toledo we have 42% of the population of the U.S., 40% of the population of Canada, infrastructure is 4 billion square feet of industrial facilities and warehousing, Toledo Express Airport moves cargo (all Xboxes in the U.S. went through the Toledo airport)
- Toledo is at the cross roads of a great deal of commerce.
- Trans-pacific Inland port is to the north - hope to shave time off of transit for containers moving between west coast to central U.S.
- Time sensitive and high value cargo moves through Toledo Express Airport
- We see the region itself as a champion. We don't have a figurehead/leadership – all of the stakeholders within the region will benefit by improving the infrastructure and the connectivity between modes. By doing so, we'll improve economic benefit within the region.
- The interplay between the port authority and the MPO in our region is crucial to what we do, to identify goals and implement the changes that need to be made so we can move ahead and grow our region and look to our future, which can be very bright.
- The increase in freight movement over the next 20 years is going to come and we’re doing our best to get ready.

Richard Nordahl, California Department of Transportation

- Last year between the 3 ports in CA we had 16.3 million TEUs, we only grew by 1.6 million TEUs. The ports of LA and Long Beach are still in the game!
- Need to talk about grouping of freight champions and their attributes and characteristics (have 5 of them).
- Freight Champions – can be split into 3 groups:
  - Political leaders, i.e., Senator, congressman, DOT director – people at a high level who are champions for what we need to do, actions that need to be accomplished.
  - Private sector, from a carrier, shipper, consultant, or organization such as AASHTO – represent the challenges and alternatives, people who give freight a voice. These are the people we often turn to.
  - Bureaucrats – this is the group to talk about today. These are the people who we need to be looking for and be in terms of being freight champions for supporting job development, mobility, quality of life for our citizens, communities, states, nations.
- Attributes:
  - Passion – if you’re not passionate about what you’re doing and the challenges that freight is facing, passionate about congestion issues and environmental issues, then you’re in the wrong line of business. Need to be passionate about what is occurring in order to be a spokesperson and make an impact on how freight is being addressed.
  - Have to do your homework – many of you probably have limited freight data, which means you have to be creative. Need to look at the basic information that you have. In CA have truck counts, some happen to be 25 years old, but you work with it. Need to get information on a volunteer basis from railroads, sea ports, any place you can get your hands on it. Be able to describe your existing conditions, how is your network functioning right now, how will it work in the future, what are your goals and objectives? In CA have 3 core goals/objectives – improving mobility in terms of system and access (corridors and local connectors), improving economic development and reducing the cost of goods movement, addressing community and environmental quality.
  - Be persistent and patient – When first came into the freight area in 1984 one of the first questions asked was “how do you spell freight?” Entire CA freight program was 1.5 people. Have worked on that, have developed reports. Developed report in 1985 on
access issues to the ports of the San Francisco Bay. Have since developed other reports focusing on what we need to accomplish. In 1993 one of the 3 main recommendations of transportation plan was the development of a CA freight strategy. Did that strategy in 1998 even though we were told we could talk about anything except funding. But we have still moved on in terms of talking about strategies, system, what needed to change to address freight as part of a program. Today the program has 19 people, 7 in a central office and 12 scattered throughout districts. This program has several major unfunded programs but we are still moving forward by a persistent, patient effort.

- Be visible, be indispensable – when people have questions about freight, have been able to address those questions. By being visible and being prepared by having done our homework we are able to tell our story. These stories lead to a result, a change.
- Seize the day – seize the opportunities when they do come up to make an impact on the movement of freight. In the fall of 2004 LA/Long Beach had a problem due to freight volumes, undersized labor force, congestion, and lack of coordination. Had a small bottleneck that led to at one time 93 ships being sent to other ports. At the same time the governor went to Japan to meet with leaders and business executives. The business executives asked what governor was going to do about problems in LA/Long Beach. He came back to CA and talked to Transportation Secretary and asked them to do something about it. They discovered there was a freight office in the CA DOT, they provided an opportunity for freight office to provide input. They asked for a basic freight report to be done in 3 days. Took 2.5 weeks to give them a freight report on projects, growth, etc. This eventually led to the development of the Goods Movement Action Plan. It also led to the governor working with the legislature on a $19.9 billion transportation bond on the ballot. It led to a $2 billion trade corridor improvement bond on that ballot, for the first time will give CA a specific freight funding course that can be used in part for freight rail investments. Whatever your environment is, opportunities to seize the day such as this will come up frequently. The opportunities are ripe. In terms of a freight champion, it’s not “are there opportunities”, but “which ones would we like to seize?”

**Butch Brown, Mississippi Department of Transportation**

- Relationship building is important, the more people you know the better.
- A vision for your job and your program of work is essential. If you don’t have a clear vision of where you want to go you can walk around in the fog. The clearer the vision, the greater the opportunity, especially the seizeable portion of that opportunity.
- Empowerment is a big part of what we do at MDOT. Have about 3500 people, everyone one of those people is viewed as an expert in their job. Empowerment is essential to having a successful, vibrant organization. There is a great deal of expectations that go with that though. Authority to go with that responsibility needs to be there too.
- At MDOT we believe a great deal in travel and training. We have a large budget for this. In 6 years we’ve never spent our travel and training budget in a year. Yet every person is empowered to travel and train to the fullest extent. We encourage them to take a trip or a class/course, but we also demand and require that when they return they bring something home that is beneficial and usable to the job that will help MDOT reach its vision. Gets irritated when people say they can’t make a meeting because they don’t have a travel budget, especially people from large states. If you restrict your people and put them in a cocoon and tell them to go plan, it’s not going to work, certainly if you don’t train them and offer them the technology that’s out there. Goal at MDOT is to equip our people with knowledge and technology so that they can do the work of two people.
- We have twice as many projects on the book today as we did 5 years ago and we have fewer people. Something is taking up that slack – you be the judge.
- “If someone tells you no, they’re just inviting you to ask more questions.” If every time someone tells you “no” you just say thank you and walk away, you won’t make a sale. At MDOT we try to say “yes” first. It’s amazing how saying “yes” first helps you achieve a vision, establish relationships, empower people to do bigger and better things.
• There is gratification that comes from having the opportunity to work with people and see things happen and come about. Have had several challenges at MDOT – when Butch took over at MDOT they were finishing the 1987 highway program, didn’t know what they were going to do next, money was short. Came up with Vision 21, it picked up where the 1987 highway program ended. Asked how long it would take to have it ready, said it would take about 2 years to get it through legislature. Didn’t like this. The 87 highway program passed the House and Senate by 1 vote, was vetoed in Governor’s office, 1 vote in legislature overrode Governor’s veto. It took years to craft. Vision 21 was put together from mid November to January 2, it passed the House and Senate. Think it had a lot to do with vision and empowerment.

• Help Bonds - We needed money to accelerate our highway program in MS, had highway projects waiting to be built, one day said that we need to find way to get money. Used bonding credit of the local municipal government, said that FHWA would pay back the bonds up to 80 or 90%, then MS DOT pays back the rest. Put this together in 60 days, FHWA supported it, local communities liked it because MDOT was building highways that the communities had been waiting for 20 years.

• How will we continue to build a program using someone else’s money? Eventually we’re not going to have money. Fuel tax revenues are going down every day.

**Establishing Permanent Capacity**

**Barbara Ivanov, Washington State Department of Transportation**

• Permanent Capacity – a brilliant system where regular people deliver brilliant results

**Dave Ganovski, Maryland Department of Transportation**

• Didn’t create the Office of Freight Logistics, it just kind of happened.
• Office was created in 2003, realized that there were people working in all different modes, it makes sense to consolidate them together. Did it to get serious on freight and to focus on freight issues at large. We consider ourselves facilitators to bring people together.
• Freight Office has a very small staff, very dependent on other offices.
• Began measuring things that were important to Maryland (see slide).
• Focus on safety and security issues
• Can’t fix problems because money is in silos. To fix the problem, we all must work together.

**Cecil Selness, Minnesota Department of Transportation**

• Department of Economic Development is participating with freight office more than DOT.
• The kind of freight planning we are involved in is significantly different from standard highway planning. It has a lot of environment at its heart, significant public involvement process. Our highway planners have not been schooled in looking beyond what needs to be done and how much does it cost. They don’t look beyond that to what’s the revenue source, who are the participants, what are the multitude of funding sources that need to come together, what are the net benefits. Looking at it this way sets us up much better to look at the new model of funding, developing public/private partnerships.
• Freight planning introduces business principles to the public sector.
• Kept making argument that freight doesn’t stop at the state line, but the response was always, “but our programs do.”
• Before the freight office, we didn’t get into freight planning for the motor carrier side very well. There are a lot of safety and judicial functions that relate to this. Developing the freight office has helped us look at the complete spectrum of freight movements.
• Did a statewide transportation plan. Started out with a strategic plan. The transportation plan is an outcome based plan. From that, did a statewide freight plan.
• Eisenhower made the statement that plans are no good, but planning is essential. Think this is important to keep in mind as we develop these plans. Having a document makes us feel good, but then we put it on the shelf and go away. This won’t work, plans are only as good as our ability to take action on them and work with them.
Opportunities come when you least expect them, generally have a window of about 18 months when an opportunity comes before you lose that opportunity. Being flexible is important.

Statewide Freight Policy – wasn’t part of overall plan (see slide for Policy)

Policy has policy directions and tactics (see slides)

Freight and ITS – have a strong ITS program, using advanced technology to improve freight mobility and safety.

MN has a great light rail transit in place. Working on putting in commuter rail. Still working on getting MPOs to talk about freight. Help them understand that the Twin Cities are the hub of a 5 state area.

Working to create partnerships to advance freight.

Finding that more and more products are moving from rail to the highways – think this is the wrong direction.

Ted Dahlburg, Delaware Valley Regional Planning Commission

DVRPC is MPO for bi-state region of Pennsylvania and New Jersey

Formed a Freight Advisory Committee in 1992 – the committee meets quarterly, the structure of the committee has remained unchanged since it started.

Committee is chaired by Deputy Secretary of Penn DOT and DVRPC Deputy Secretary Director. Also have support from NJ DOT and Delaware DOT. FHWA and AASHTO have also been supporters by making appearances at meetings, funding initiatives such as peer exchange programs, and also the Freight Analysis Framework.

Freight facilitators seem to be part geographer, marketer, economist, storyteller.

Recently created an honor roll singling out 20 people who have made significant contributions to the committee.

Freight Committee is fully plugged into the DVRPC – they provide recommendations, such as creating a GIS layer and management system, creating a map showing rail ownership of all rail lines in Delaware Valley.

Meeting regularly keeps committee fully in synch with MPO.

In 2003 there was $12 million available for CMAQ program. 5 committee members on their own submitted applications, they all got picked and funded.

Freight for a Day – recent event, tried to convince local shippers, carriers and transportation operators to submit to DVRPC summaries for the day of September 20 of what kind of events took place so that DVRPC could paint a regional picture of what happened in freight that day. This was a full 24 hour scan, also made a number of site visits and did a set of evaluations of NHS connectors. Received 50 activity reports, most were received within about 3 weeks. The relationship that was cultivated with freight community over time really paid off.

- Canadian Pacific reported 42 train moves from and to the region.
- Truck counts were available from a number of sources. Counts provide an order of magnitude and can be important for future planning processes.
- There were a number of highway incidents, including one involving a tractor trailer with a resulting fatality and one involving a bridge opening at night after a Phillies game.
- Demand far exceeded supply for truck parking.
- On September 17 there were 45 want ads for truck drivers and delivery people.
- Comprehensive air freight data was difficult to obtain.
- On Sept 20 the freight network was an ordinary day, but the reach of freight movement also made it an extraordinary day.
- Full outcome of Freight for a Day is on www.dvrc.org
**From Planning to Project Implementation Leading to Results**

Byron Flood, Mississippi Department of Transportation

- Talking about the HELP program – Highway Enhancement through Local Partnerships
- Implemented in 2004
- Currently have several ongoing projects
- In many cases this is the only funding source for large unfunded projects.
- Tunica County project was first project done under HELP program. Bonds were issued in 2005. Created an interstate hwy from US 61 to I-95 in Tunica County, south of Memphis.
- State Rt 601 in Harrison County – Canal Road Project. Very important to Butch Brown. From a freight standpoint this provides an intermodal connector to move freight form Port of Gulfport to I-10.
- Laurel S Curve Project – on Interstate 59 in Jones County – reconstruction of a segment of interstate to bring that section of the roadway up to current interstate standards.
- I-55 Madison/Ridgeland Interchange – split diamond interchange along I-55 north of Jackson in Madison County done to increase capacity in this rapidly growing suburban area.
- There is a lot of flexibility in the type of funds that can be used for the reimbursement process.
- HELP Debt service will replace 87-Four Lane Debt Service and will not cause any increase in debt service.
- The HELP program has been vital to MS and is a unique financial tool to accelerate projects. It enables MDOT to leverage federal funds. It promotes cooperation between MDOT, FHWA, and local governments to complete MDOT projects.

Prabhat Diksit, FHWA Resource Center and Virtual Freight Team

- Presentation elaborates on a component (innovative financing) of the Freight Financing Guidebook that was included in handouts.
- The Guidebook lists examples of what has been done around the country and how projects have been funded.
- There is an alternative approach to a statewide programmatic funding source – could have a project funding source when a project, such as a toll road, has its own revenue stream. When a program has its own revenue source, all options of innovative financing open up.
- Could go private sector route – whole project is contracted out to private sector to build and finance. This idea is new but is becoming increasingly common.
- Examples of dedicated revenue sources – tolls on truck only lanes, charges per rail carriage using bridge, docking charges on ships berthing at a port, dedicated taxes and fees.
- Shadow tolls – like real tolls in that they’re based on traffic count, but a sponsoring government will pay the toll rather than the drivers (i.e., $1 per truck)
- Revenue bonds - If a bridge has a 3 million traffic count a year and you have a $2 toll, then you have $6 million/year in revenue, if all of that is applied to a bond it will get you about $80-90 million in up front money that can be used to build a bridge.
- There are about 45 toll revenue bonds outstanding in Florida. Florida is a very toll friendly state, most state won’t have this many bonds, but this is a fairly common arrangement that the private sector knows about and most states are familiar with.
- If a revenue bond is not sufficient, the USDOT has some very favorable loan programs that can be used in financial engineering (i.e., TIFIA). If debt sources are not enough, can raise grants to do project. Alameda Corridor –Portion came from bonds, $400 million came from TIFIA type loan, and rest came from grants from counties, port authorities, cities in area.
- “Patient” Federal capital – example is TIFIA (see slide). TIFIA has been undersubscribed, there has been more money than projects for projects of national significance.
- TIFIA – Maximum project size was $100 million prior to SAFETEA-LU, SAFETEA-LU lowered it to $50 million but made it more accessible to freight projects.
- TIFIA can be applied to private rail if there is a benefit to public users of highways.
- Disadvantage of TIFIA – there is only one borrowing rate (around 4.8%), unlike a commercial lender who will adjust rate based upon level of risk. So for some states the borrowing rate might be higher.
than bond rate. For private sector the TIFIA rate is usually better than borrowing from a private source.

- Total TIFIA assistance has been about $3.2 billion so far.
- One of the biggest disadvantages is that TIFIA is a Federal source and therefore when you borrow from TIFIA your project becomes a Federal project and is subject to Federal regulations.
- RRIF loans – similar to TIFIA, for railroads, established by TEA-21, run by FRA.
- SAFETEA-LU improved some of the rules of RRIF – prior to SAFETEA-LU the law said that borrowers have to go around to commercial banks shopping for loans and only when they were denied by all banks could they apply for RRIF loans – it was meant to be a lending source of last resort.
- Private Activity Tax Exempt Bonding (PABs) – allows private sector companies to borrow at tax exempt government rates for approved projects. SAFETEA-LU added highways and intermodal freight facilities to the list of approved projects. Qualified projects have to have gone through Title 23 reviews. Local government issues bonds for private sector parties, the private sector pays all principle and debt. All of the risk is borne by the private parties. Most inquiries about this program have come from people who want to build truck to rail intermodal facilities.
- PPP – Private sector option. Operation, design, building, financing, and maintenance can be contracted out to private sector. This is typically done through the award of a concession. This is advantageous for a cash-strapped state that has a toll property. There are many proposals in progress - $200 billion in project ideas for new capacity toll projects. These projects are often related to freight – roads are at capacity due to truck traffic.
- Which approach is better – publicly owned toll road or privately run concession? It depends. From a financial perspective, in the current bidding climate, one might be able to build more roadway for the same project revenues through a concession approach. But this is only in the current bidding climate.