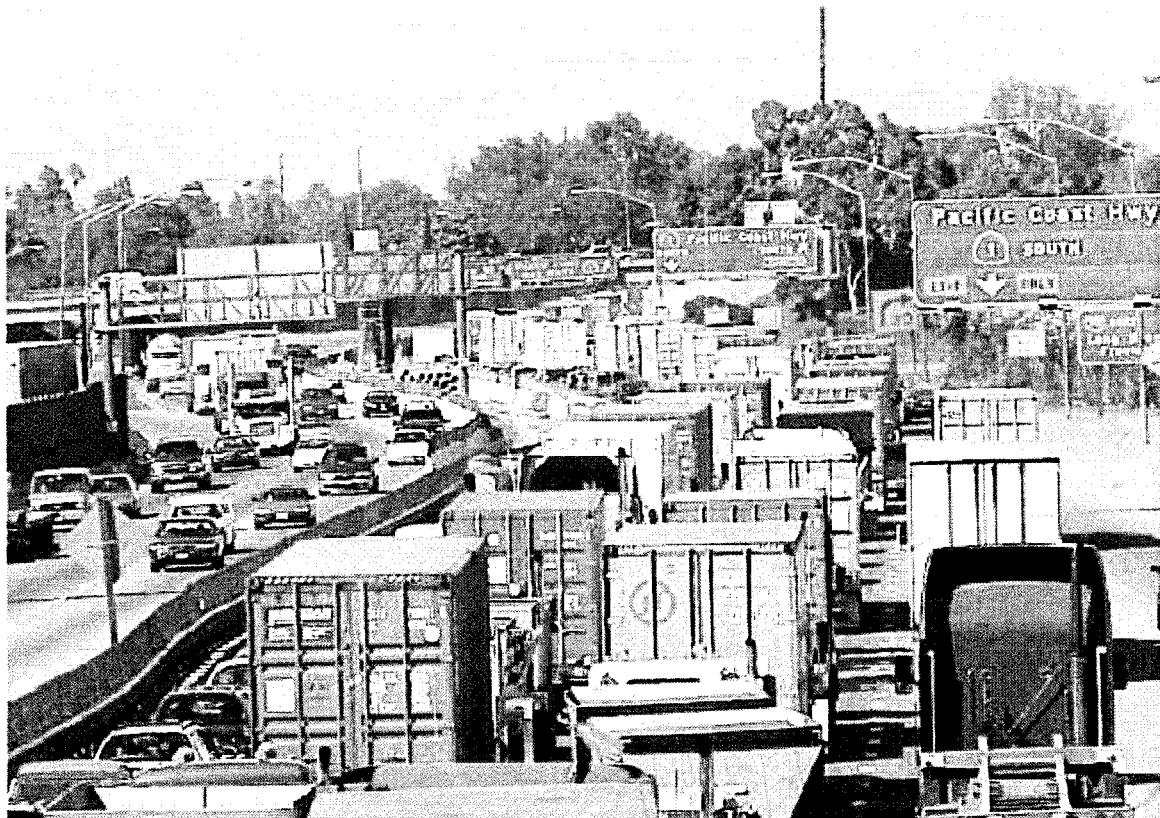


CALIFORNIA MARINE TRANSPORTATION SYSTEM INFRASTRUCTURE NEEDS

March 11, 2003

Updated November 28, 2003



Prepared By:

**California Marine and Intermodal Transportation System Advisory Council
Northern California Marine Transportation System Advisory Council
Southern California Marine Transportation System Advisory Council**

**Mission Statement of California Marine and Intermodal Transportation
System Advisory Council (CALMITSAC)**

*To foster development of a Marine Transportation System in
California that is safe, secure, efficient, environmentally sound, and
capable of expanding to meet the needs of the global economy.*

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CALIFORNIA MARINE TRANSPORTATION SYSTEM INFRASTRUCTURE NEEDS

Executive Summary

The prosperity of the United States depends on the *Marine Transportation System (MTS)*, a maritime transportation network that includes ports, railroads, highways and other facilities and services that move freight to and from our nation's harbors. Unfortunately, cargo movement is now hampered at the very point in time when American trading activities are growing rapidly and becoming an ever-larger portion of the U.S. economy. Cargo movement via California ports is projected to increase dramatically well into the next decade. However, the capabilities of critical cargo handling facilities and intermodal links are being stretched well beyond their capacities.

This white paper, entitled *California Marine Transportation System Infrastructure Needs*, focuses on the economic significance of the ports and supporting inland transport systems in California. The report identifies critical MTS infrastructure projects required to maintain economic growth, protect the environment and to promote homeland security. The document represents a collaborative effort of the Northern California Marine Transportation System Advisory Council (NORCAL-MTSAC), the Southern California Marine Transportation System Advisory Council (SOCAL-MTSAC), and the California Marine and Intermodal Transportation System Advisory Council (CALMITSAC).

California is the single largest trading entity in the United States. Waterborne commerce through California's ports accounts for 40% of the national total. Three of the four largest container ports (based on volume) in the country are located in California (Los Angeles, Long Beach and Oakland). The value of trade through the Los Angeles, San Francisco and San Diego Customs Districts was \$392 billion in the year 2000. The ability to move cargo efficiently through the ports of California is crucial to the overall economic vitality of the state and the nation. The rest of the U.S. depends on this network, particularly for access to the Pacific Rim. For example, 60 percent of the imported cargo consumed in the Chicago area flows through the Ports of Los Angeles and Long Beach. Approximately 35% of all U.S. waterborne containers move through the San Pedro Bay Ports, with an estimated cargo value of nearly \$200 billion.

The inherent trade advantages enjoyed by California, and by extension the United States, could be negated if we do not make a concerted statewide effort to maintain, enhance, modernize and expand the base of port facilities and services at California ports.

The importance of maritime commerce was dramatically illustrated by the 10-day lock-out of west coast ports in September and October of 2002. It has been estimated that the combined 10-day lockout and 23-day backlog disrupted trade valued at \$6.28 billion just at the Ports of Long Beach/Los Angeles. Severe terminal, highway or railway capacity constraints can have the same economic effects as the lockout we just experienced.

Transport delays will impact the cost of doing business, the environment, and our nation's ability to compete internationally.

The MTS community in California urges Congress and the Administration to acknowledge the vital role played by goods movement in general and the MTS in particular. In 2003, Congress will establish successor legislation to the Transportation Equity Act for the 21st Century (TEA-21). This report will serve as a framework for dialogue with state and federal agencies, the state Legislature and Congress, with the objective of establishing project funding for MTS infrastructure and security in the new legislation (hereinafter referred to as TEA-3). ***At the very least, TEA-3 should affirm a national policy, backed up with a commensurate commitment of resources, to enhance the physical infrastructure and operational efficiencies that support the MTS.***

As national assets, MTS projects should be entitled to receive direct program funding from dedicated sources that is made available in TEA-3 legislation. **The U.S. Government should establish specific programs and mechanisms to meet the needs of the MTS. These programs should be considered investments, not simply grants.**

While the economic impacts of ports are positive and widespread, the negative aspects of port operations (e.g. port-generated traffic, noise, wear on local streets, environmental degradation, etc.) are felt locally. **TEA-3 should include a “good neighbor policy” that articulates sensitivity to adverse impacts on nearby communities, environmental systems, waterfront access, and quality of life.** TEA-3 should provide additional funding earmarked to help local agencies mitigate adverse local impacts derived from MTS project expansion and increases in global trade.

The events of September 11, 2001 highlighted a need to be able to respond quickly to national emergencies. **The TEA-3 legislation should affirm by policy that improving access to ports is in the national interest and is the highest-priority transportation objective consistent with goals of assuring safety and national security.**

This report identifies recommended MTS infrastructure projects in California. The total magnitude of need in California is **\$23.7 billion** (\$7.2 billion in Northern California and \$16.5 billion in Southern California.) It should be emphasized that these are *needs*. The figure does not represent the amount of federal funding requested. The detailed projects listed in the appendices of the report cover a broad range of modes and facilities serving California's MTS. There are four categories of projects included in the lists: planning, waterside, terminal, and land-side access projects, and are organized by near-term (0 to 5 years), mid-term (5 to 10 years), and long-term needs (greater than 10 years). Of the projects included in the appendices, high-priority projects by region are identified in Tables I and II, below.

Funding

Without adequate funding for MTS infrastructure projects, economic growth, environmental quality, and homeland security are threatened. Therefore, consideration

should be given to establishing a **dedicated funding source for the MTS**. Additional funding recommendations are listed below.

1. Reauthorize the firewalls provided for in TEA-21 to ensure that the funds collected are used for their dedicated purpose and not for deficit reduction,¹ and make every effort to spend down existing balances in the Highway Trust Fund and assure that future funds are spent in a timely fashion.
2. Dedicate funds for National Highway System connectors to intermodal freight facilities.*
3. Significantly increase funds for an expanded corridor/border and gateway program. *
4. Increase funding and promote the use of the Congestion Mitigation and Air Quality Improvement Program (CMAQ) for freight projects that reduce congestion and improve air quality.*
5. Continue the Transportation Security Administration Ports Security Program on an annual basis with a sufficient amount of funds from the General Fund.
6. Increase funding for the Commercial Vehicle Operations Program.
7. Restore equal taxation of gasohol with that of gasoline and redirect gasohol tax revenues to the Highway Trust Fund with some portion dedicated to goods movement improvements.
8. Credit all interest earned on the fund balances in the Highway Trust Fund directly to the trust fund.
9. Increase funding for the Section 130 grade crossing program.
10. Increase funding for the Railroad Rehabilitation and Improvement Financing (RRIF) program and remove overly restrictive regulatory requirements that have hindered program implementation.

Other new sources of funding should be seriously considered and evaluated with respect to their impacts on the goods movement industry, including:

- The Transportation Finance Corporation proposed by AASTHO
- The federal gas tax increase proposed by ARTBA
- The Railroad Trust Fund proposed by Congressman William Lipinski

¹ Policy endorsed by the Freight Stakeholders Coalition

- The Freight and Intermodal Transportation Fund proposed by California State Senator Betty Karnette

SUMMARY

Three core messages from this document should be conveyed to California’s legislative delegation in Washington, D.C.

1. The flow of goods to and from California ports and along associated inland transportation corridors must be recognized for the huge economic benefit it brings to the producers, manufacturers, transporters and consumers of those goods throughout the entire nation.
2. Given the magnitude of this flow of goods, Congress must establish viable funding sources that will allow the goods movement infrastructure to keep pace with the steadily increasing growth of this sector. This may entail the creation of new sources of funds given that existing funding programs are already oversubscribed and/or dedicated.
3. The funding needs of the MTS in California are great and cover a broad range of modes and facilities. The total funding need for the recommended MTS projects in California is **\$23.7 billion** (\$7.2 billion in Northern California and \$16.5 billion in Southern California.) As shown in Tables I and II, within this comprehensive infrastructure program, the MTS Advisory Councils in Northern California and Southern California have identified *high-priority* projects costing \$716 million and \$3,850 million, respectively.

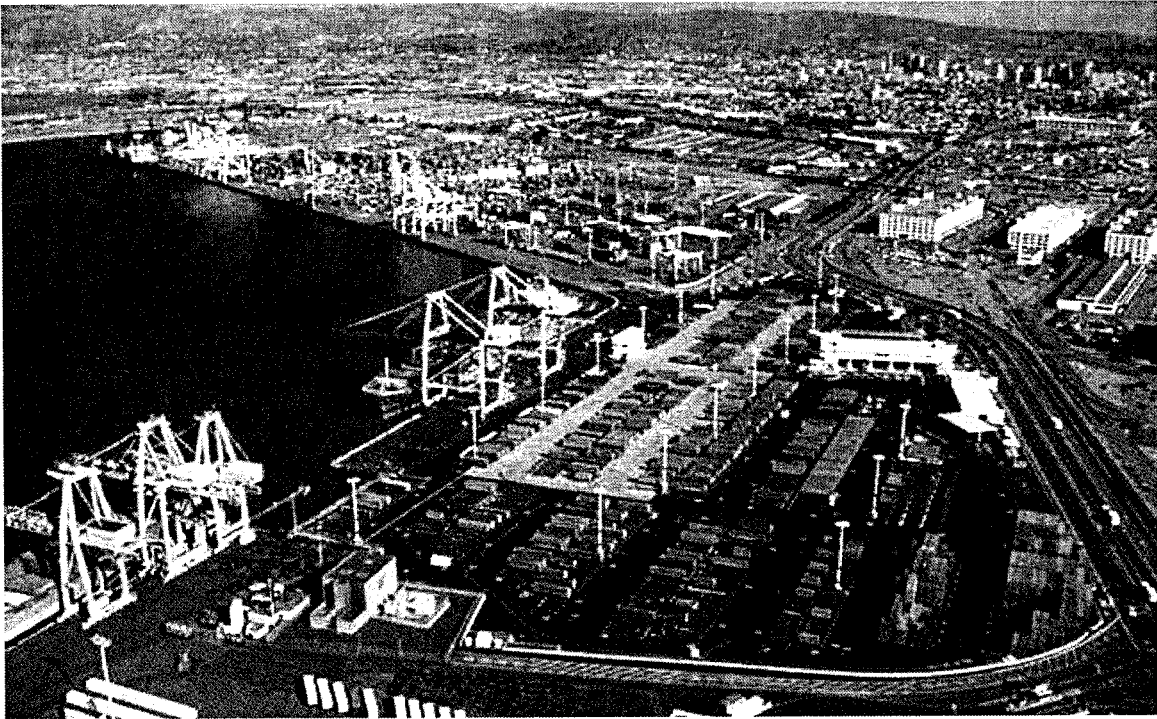
Table I: Northern California High-Priority MTS Infrastructure Needs

PROJECT LOCATION/ DESCRIPTION	<u>COST ESTIMATE</u> (\$000)
Metropolitan Community Portal	\$10,000
Physical Oceanographic Real Time System (PORTS)	\$700
Bay Area Transportation Plan Update: Goods Movement Study	\$750
LTMS Environmental Windows Study	\$2,700
Oakland Harbor Improvements -50’ Channel Deepening 1 Associated berth deepening & wharf upgrades	\$293,000

Port of Oakland Maritime Security Worker ID System, Terminal Traffic controls, Surveillance & Monitoring, Utility upgrades, Security lighting	\$55,000
Port of Oakland Street Improvements Maritime St. Realignment 7 th St. grade separation Air cargo access road	\$10,000
Oakland-Stockton Inland Port rail shuttle (CIRIS) Capital Expenses Operating expense (6 yrs)	\$36,000 \$12,000
Port of San Francisco Security Improvements	\$72,000
Port of San Francisco Terminal & Pier Improvements Pier 45 Truck Access Improvements Pier 35 Seismic Strengthening and shed upgrades	\$5,000 \$22,000
Port of San Francisco Road & Rail Improvements Illinois St. Bridge and Port Rail Improvements Amador St. Transportation Corridor Improvements	\$32,000 \$30,000
Port of Stockton Multiple Terminal Renovations Port of Stockton Channel Deepening	\$52,000 \$68,000
Port of Sacramento Southport Road Reconstruction Port of Sacramento Container Barge Feasibility Study	\$11,000 \$600
Port of Richmond Multiple Terminals Renovations and Seismic Retrofits	\$3,000
TOTAL – NORTHERN CALIFORNIA HIGH-PRIORITY PROJECTS	\$715,750

Table II: Southern California High-Priority MTS Infrastructure Needs

PROJECT LOCATION/ DESCRIPTION	<u>COST ESTIMATE</u> (\$000)
Gerald Desmond Bridge Replacement/I-710 Corridor Project	\$605,000
I-710 Corridor/Gerald Desmond Bridge Gateway Program: Interchanges with I-5, I-405, SR 91 & Arterial Streets	\$1,609,000
Near- and off-dock Rail Yard Expansion	\$400,000
Port of Hueneme Security Enhancements	\$660
Ports of Los Angeles and Long Beach Security Programs	\$70,000
POLB Alameda Corridor/Pier B Street Railyard Expansion	\$67,000
POLB Alameda Corridor Terminus/Port Rail Mainline System	\$19,400
Port of San Diego TAMT Intermodal Viaduct	\$138,000
Port of San Diego 28 th Street Intermodal Access	\$22,000
Alameda Corridor-East Construction Authority Phase I Grade Separations	\$401,200
OnTrac: Grade Separations of Melrose Street and Placentia Avenue and closure of Bradford Street	\$40,500
OnTrac: Orange County Gateway Project (8 grade separations or trench)	\$477,200
TOTAL – SOUTHERN CALIFORNIA HIGH-PRIORITY PROJECTS	\$3,849,960



INTRODUCTION

In 2003, Congress will establish successor legislation to the Transportation Equity Act for the 21st Century (TEA-21). More than a simple reauthorization of existing funding programs, the new legislation (herein referred to as “TEA-3”) is intended to be the federal government’s definitive statement of national transportation policies, programs and projects that address the transportation needs of the United States.

In previous legislation, goods movement did not receive as much attention as other modes (e.g. transit, passenger rail, aviation, pedestrian and bicycle circulation, etc.). However, as was clearly demonstrated by the events in the October 2002 contract negotiations between the ILWU and the Pacific Maritime Association, distribution of goods has a huge economic impact that reaches across the entire country and into every citizen’s pocket. The recent shut down of the west coast ports resulted in an estimated loss to the national economy of over \$1 billion per day.

The prosperity of the United States depends on development and maintenance of a *Marine Transportation System (MTS)* that facilitates efficient maritime commerce. Contemporary business logistics requires a transport system that provides the capacity, basic infrastructure and critical operational links between gateway ports and the rest of the country. These include but are not limited to shippers, ports, border crossings, rail services, trucking services, ferry services, security, warehouse and distribution firms and ancillary maritime activities.

Unfortunately, for the last several decades, investments in transportation infrastructure that enhance freight movement have taken a back seat to commuter-oriented alternatives. An old adage in the freight industry notes that goods movement suffers from lack of attention because “*Cargo doesn't vote*”. Truism or not, it is easy to forget that all Americans benefit from the efficient movement of goods.

The result of such “benign neglect” is that cargo movement is now hampered at the very point in time when American trading activities are growing rapidly and becoming an ever-larger portion of the U.S. economy. Forecasts of cargo movement via California ports indicate continued growth well into the next decade. However, the capabilities of critical cargo handling facilities and intermodal links are being stretched well beyond their capacities.

This year, advocates of goods movement are organizing to become actively engaged in the discussions about TEA-3 to insure that the MTS receives the consideration it is due. Across the country, organizations interested in improving transportation systems are mobilizing to insure that their needs and priorities are addressed in the TEA-3 legislation or in potential companion surface transportation programs such as “SEA-21”. The coalition building effort is even more important considering that the State is facing a \$26 to \$34 billion budget shortfall.

California’s MTS community is working closely with state officials to develop a strong coalition for freight interests. California State Senator Betty Karnette is working to establish the California Freight Advisory Commission (CALFAC), a group of ports, shippers, transportation providers, and other interest groups as well as state agencies dedicated to improving freight transportation in the state.

In January 2002, the California Business, Transportation and Housing Agency, and the California Department of Transportation (Caltrans) published the *Global Gateways Development Program (GGDP)*, a reflection of stakeholder perspectives on the urgency and options to facilitate the movement of goods in California. (See Appendix 3.) Many of the recommendations outlined in the GGDP provide a foundation for MTS improvement efforts in California.

Building upon the GGDP, the MTS program focuses on the ports and supporting inland transport systems in California. This white paper, entitled *California Marine Transportation System Infrastructure Needs*, is a collaborative effort of the Northern California Marine Transportation System Advisory Council (NORCAL-MTSAC), the Southern California Marine Transportation System Advisory Council (SOCAL-MTSAC), and the California Marine and Intermodal Transportation System Advisory Council (CALMITSAC). This report presents recommended policies, programs and projects for reinvesting in needed infrastructure to support the MTS system. Together with the GGDP, this report will serve as a framework for dialogue with state and federal agencies, the state Legislature and Congress, with the objective of establishing project funding for transportation infrastructure and security upon which we all so heavily depend.

ECONOMIC SIGNIFICANCE OF CALIFORNIA’S MTS

California is the single largest trading entity in the United States. Waterborne commerce through California’s ports accounts for 40% of the national total. Three of the four largest container ports (based on volume) in the country are located in California (Los Angeles, Long Beach and Oakland). The value of trade through the Los Angeles, San Francisco and San Diego Customs Districts was \$392 billion in the year 2000.

As the anchor of the nation's maritime network, California must take the lead in assuring that the TEA-3 legislation will enhance the MTS system. For the past several years,

California ports have managed to increase throughput at a rate almost five times faster than corresponding growth in infrastructure – a number that cannot be sustained with operational enhancements alone. Ports must continue to make significant capital investments as well.

From a strategic viewpoint, California is ideally situated in the global trading network. It is blessed with a premier location for ports and international gateways to the entire American market. California is:

- On the Pacific Rim, at the junction of the world's two biggest markets – the U.S. and Asia.
- The 5th largest economy in the world.
- On the central West Coast of North America, providing direct intermodal access to the entire continent.

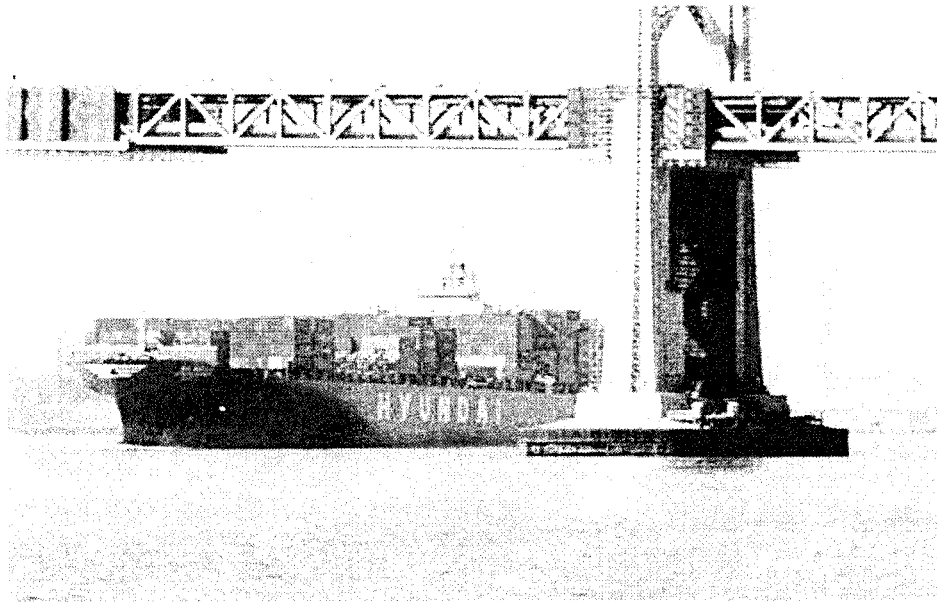


California's port gateways and the cargo they handle support industrial, retail and agricultural sectors throughout the United States. The highest-value cargo moves through California and includes a significant portion of the nation's imported consumer goods. California is the nation's leading freight destination in the United States by value, and second only to Texas in overall freight movements by tonnage.

The ability to move cargo efficiently through the ports of California is crucial to the overall economic vitality of the state and the nation. The rest of the U.S. depends on this network, particularly for access to the Pacific Rim.

The Port of Oakland is the primary deep water port serving Northern California. It is the centerpiece of a trade shed that extends from the coast to the Rocky Mountains, and the hub of Northern California's intermodal transportation network, which directly connects with high-capacity rail, freeway and aviation services. Oakland is the fourth busiest marine port in the United States. The Port of Oakland is centered on the San Francisco metropolitan area, the nation's seventh largest, and is the Gateway to the Silicon Valley and the San Joaquin Valley.

The Ports of Los Angeles and Long Beach are the primary deep water ports in Southern California. They are the first and second most active container ports in the United States. Combined they represent the third largest port complex in the world, after Hong Kong and Singapore. From the Ports of Los Angeles and Long Beach, cargo is distributed to/from all other locations in the United States. For example, 60 percent of the imported cargo consumed in the Chicago area flows through the Ports of Los Angeles and Long Beach. Approximately 35% of all U.S. waterborne containers move through the San Pedro Bay Ports, with an estimated cargo value of nearly \$200 billion. Nationwide, 2 million jobs are linked to the Ports of Los Angeles and Long Beach.



The economic benefits of trade through the MTS and our competitiveness are threatened, however, by growing congestion. Managing growth will be a major challenge. For example, containerized cargo through the ports of Los Angeles and Long Beach is expected to grow from 9.6 million twenty-foot equivalent units (TEUs) in 2001 to over 36 million TEUs by 2020. The Port of Oakland handled 1.6 million TEUs in 2001 and expects 4.8 million TEUs by 2020.

Currently, approximately 34,000 truck trips/day move to/from the Ports via the I-710 Corridor (which includes the I-710 freeway and adjacent arterial streets and freeways). The total number of daily truck trips is forecast to increase to about 92,000 by 2020, even taking into account the increase in freight cargo carried by the railroads as a result of the Alameda Corridor. With its current capacity the Long Beach Freeway (I-710) is not capable of accommodating the projected demand and the Gerald Desmond Bridge in the Port of Long Beach is not high enough to accommodate the new generation of container vessels. In the Bay Area, truck related congestion on I-880, I-580 and other major roadways is a growing concern.

The railroad system is also facing major capacity and congestion challenges. 50% of the Los Angeles/Long Beach ports' containers are transported by rail. Union Pacific's intermodal container transfer facility (ICTF), the East Los Angeles yard and BNSF's Hobart yard are operating at near capacity. Additional near-dock and off-dock intermodal yard capacity will be essential if the projected demand through the ports is to be accommodated. The main lines east of downtown Los Angeles need triple tracking and

grade separations, and the Colton rail-to-rail crossing needs to be grade separated. The economic benefits of Alameda Corridor – the \$2.4 billion consolidated rail corridor serving the San Pedro Bay Ports – will not be fully realized unless the major yards and the main lines east of downtown Los Angeles are improved. If not solved these problems will adversely affect the competitiveness of the marine transportation system, hurt economic growth and threaten national security. “The Pentagon relies on commercial shipping to transport 95 percent of America’s military supplies. Moreover, the military’s adoption of just-in-time delivery, with its reliance on precisely timed movements in global supply chains, means that a glitch anywhere poses a threat to the entire system.” (San Francisco Chronicle, October 13, 2002)

The inherent trade advantages enjoyed by California, and by extension the United States, could be negated if we do not make a concerted statewide effort to maintain, enhance, modernize and expand the base of port facilities and services at Oakland, San Francisco, Stockton, Sacramento, Richmond, Redwood City, Benicia, Humboldt, Los Angeles, Long Beach, Hueneme, San Diego, and several smaller harbors. Each of these ports plays a specialized role in support of the wide variety of goods shipped. They work cooperatively, insuring that services are not duplicated.

2002 Ports Lockout Impact

For ten days, beginning at the end of September 2002 and extending through the first week of October, a waterfront labor dispute shut down West Coast ports, sending economic shockwaves rippling around the world and across the nation even after the ports reopened. The lockout resulted in weeks of cargo delays and backups, and months of jumbled delivery schedules. American retailers had popular products stuck at the ports during the crucial weeks before Christmas.

The 29 ports affected by the ports shutdown are the primary gateways for trade between the United States and Asia, between the world’s leading consuming nation and the leading manufacturers of low-cost consumer goods such as clothing, shoes, toys and home furnishings. Today most trade is time sensitive, with many U.S. retailers and manufacturers relying on just-in-time logistics, making them particularly vulnerable to disruptions of their supply chain.

The impact of the lockout was wide-ranging as shippers scrambled to divert shipments to East Coast, Gulf Coast, Mexican and Canadian ports. The shift in shipments from west coast ports resulted in delayed sailings and heavy traffic congestion at East and Gulf Coast ports. Economic impacts were widely felt across the United States:

- Produce exporters were forced to dump stranded fruits and vegetables on the domestic market at lower prices. Dole Food Co. reported a loss of \$250,000 to \$500,000 as a result of perished foods.
- Honda, General Motors, Toyota and Mitsubishi temporarily shut down auto plants because of parts shortages. Honda reported an \$83 million loss in wages, shipping fees and other costs. After the ports re-opened, the automakers worked overtime to catch up. They also had to airfreight parts from Japan, or divert cargo through Canada and Mexico. Their suppliers also idled workers.

- Shipping lines incurred extra expense for crews, fuel and capital costs spent on vessels idled by the lockout and not producing revenue. *Container Shipping* cited one estimate that put the losses for ocean carriers at \$400 million to \$600 million.
- Once the ports reopened, long shipping queues, major traffic congestion and gridlocked railways forced shipping lines to cancel Far East shipments and decline new bookings.
- Major U.S. manufacturers that export through the west coast ports were significantly impacted, such as: General Electric in New York, West Virginia and Indiana; Caterpillar Tractor and Mitsubishi Motors in Illinois; Bose Corporation in Massachusetts; Cascade Agricultural Trading in Washington; and Nissan Motors and Kimberly Clark in Tennessee.

Roadways around west coast ports, such as the I-710 serving the Ports of Long Beach/Los Angeles, experienced severe congestion after the ports reopened. The following photographs illustrate the I-710 under normal conditions and during the 2002 shutdown. They depict just how important the I-710 Corridor is to the Ports of Long Beach/Los Angeles, and hence the nation.



I-710 Under Normal Conditions



I-710 During Ports Shutdown

The San Pedro Bay Ports are critical to shippers throughout the nation, and the recent shutdown of the west coast ports underscored this importance. As a result of the shutdown, most people now better understand their own connection to the ports, the importance of moving freight, and the resulting ripple effect through the economy. A recent study by the Los Angeles County Economic Development Corporation estimated that the combined 10-day lockout and 23-day backlog disrupted trade valued at \$6.28 billion just at the Ports of Long Beach/Los Angeles. The 23-day backlog following the 10-day lockout illustrated how sensitive the global supply chain is to disruptions in the movement of cargo at just one node in the network (i.e., ports), which has the same effect as severe terminal, highway or railway capacity constraints. Transport delays will impact the cost of doing business, the environment, and our nation's ability to compete internationally.

PORT INVESTMENT IN THE MARINE TRANSPORTATION SYSTEM

The ports in California are helping to facilitate cargo movement, stimulate the economy of the nation, provide for homeland security and allow for our nation's military projection. The California ports and harbors are leading the nation in terms of capital investment. California ports continue to invest huge sums of money to provide maritime and cargo handling services for the benefit of the entire nation. In 1999, the top ten ports in the United States spent \$812,696,000 on capital projects, which accounted for over 70% of capital expenditures by all public ports surveyed. The top three investors are California ports – Long Beach, Los Angeles, and Oakland. They spent \$436,935,000 on capital investment which accounted for nearly 54% of the top ten port expenditure total. (Source: MARAD).

The Ports of Long Beach, Los Angeles and Oakland combined will need to spend approximately \$4.5 billion on terminal and navigation projects over the next 10 to 15 years. This investment includes additional and larger terminals, wharves, rail yards, and roadways within the harbor districts. These capital projects are typically financed with port leasing revenue and bonds, as opposed to tax revenue or outside government grants. Additionally, because of insufficient state or federal funding, these same port funds have been used for regional transportation system projects. The following statistics regarding California port capital expenditures alone underscore the kind of financial burden placed on ports nationwide:

Port of Long Beach

- \$1.1 billion spent on capital projects between 1994 and 2000, which is also the current debt level.
- \$1.94 billion (in current \$) is needed to accommodate future cargo growth, excluding off-terminal roadway and rail needs.

Port of Los Angeles

- \$1.1 billion spent on capital projects between 1994 and 2000.
- \$1.8 billion (in current \$) is needed to accommodate future cargo growth over the next ten years, excluding off-terminal roadway and rail needs.

Port of Oakland

- \$651 million spent on capital projects since 1995.
- \$900 million (in current \$) is needed to accommodate future cargo growth, projected for the next 15 years.

California's ports not only contribute billions of dollars to the MTS, they also provide the vast majority of federal maritime taxes and fees. The Harbor Maintenance Tax generates approximately \$600 million per year nationwide. Over one-third of the revenue is collected in California, but only seven percent of this tax revenue is returned to critical navigation projects in California. The port system in California is responsible for \$8 billion of the \$20 billion the U.S. Customs Service collects annually in duties and fees. Customs fees accrue to the General Fund, and fully one-third of Customs duties go to farm subsidies.

POLICY CONSIDERATIONS

Considering the contribution the MTS in California makes to the U.S. economy and to federal fees and taxes, greater national attention to the goods movement sector is clearly justified. The following recommendations support additional funding for goods movement projects.

1. National Assets, National Recognition

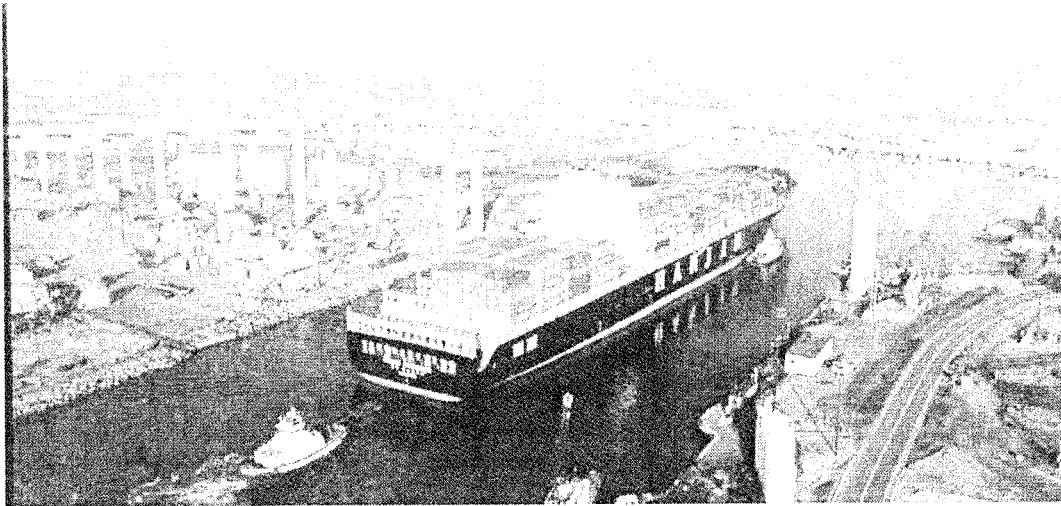
We urge Congress and the Administration to acknowledge the vital role played by goods movement in general and the MTS in particular. *At the very least, TEA-3 should affirm a national policy, backed up with a commensurate commitment of resources, to enhance the physical infrastructure, operational efficiencies and those ancillary activities that support the MTS.*

Major seaports are unique public enterprises. In California, they are administered at the local or regional level. Each port is an integral component of the MTS. They are national assets providing critical services and generating economic benefits that accrue well beyond the municipalities in which they are located. Because the institutional relationships among the ports and their stakeholders vary significantly there should be a national policy that ties consideration of port infrastructure needs with project funding.

Multi-modal facilities that provide efficient, systematic means to transfer cargo at the ports, and collect or distribute it to the rest of the nation (e.g. harbor improvements, navigation channels, rail and truck access to ports, specialized distribution activities, etc.) should be specifically recognized in national policy as critical components of a nationwide transportation system.

In particular, consideration should be given to the rapid deterioration of rail service and associated capital facilities. For 150 years, projects that promote or enhance rail freight have routinely been ruled ineligible to receive federal funds, primarily because federal policies that date back to the land grant programs do not acknowledge that private rail carriers serve the public good. Transportation policies should be updated to reflect the contemporary roles and responsibilities of railroads in maintaining the integrity of the MTS by moving the same goods that ships and trucks move. Further, railroads should be entitled to receive the same levels of public investment that roads, airports and waterways receive.

Additionally, the TEA-3 program should include provisions to support freight rail operations, similar to support for transit operations, where the operations contribute to the transportation goals of reducing congestion, improving mobility on the surface transportation network, improving air quality in high density areas, and enhancing roadway safety.



2. National Commitment, National Investment

As national assets, MTS projects should be entitled to receive direct program funding from dedicated sources that is made available in TEA-3 legislation. **The U.S. Government should establish specific programs and mechanisms to meet the needs of the MTS. These programs should be considered and evaluated on the basis of investment, not simply as a grant.**

Current policies require that transportation improvement funds be divided first among the fifty states and then among regional and local planning organizations. While it promotes local flexibility in most cases, this policy doesn't work for MTS priorities because the national significance of the MTS is often overlooked by regional and local funding agencies.

Example: Currently, based solely on geographic considerations (i.e., where the Port facility is located) the Port of Oakland competes for TEA-21 and other surface transportation grant funds with the City of Oakland, six other municipal jurisdictions and two transit districts in the North County planning area of Alameda County. In setting priorities, local allocation committees are dominated by interests without an appreciation of Port significance and with a long list of other local improvements backed by elected officials. Port projects are often expensive, and local officials quickly realize that it is easier to spread limited funds over many smaller projects with visible constituents, rather than a single large project with few local advocates. Without an imperative, port-related projects are often relegated to the bottom of the priority list. By the time available funding is prioritized and subdivided by state, county and planning area, usually in proportion to population share, there is rarely a sufficient amount left to adequately fund projects nominated by the Port.

As a rule, local priorities are based on regional policies and allocation formulas, few of which have demonstrated that goods movement is a priority. **As national assets with a broader constituency, seaports should not have to compete with local jurisdictions for limited funds.** It is unreasonable for local transportation funding agencies to have to choose between an expensive port project that achieves

regional and national objectives or a smaller scale capital improvement program that could address several local objectives.

3. Mitigation of Impacts on Host Communities and Environmental Systems

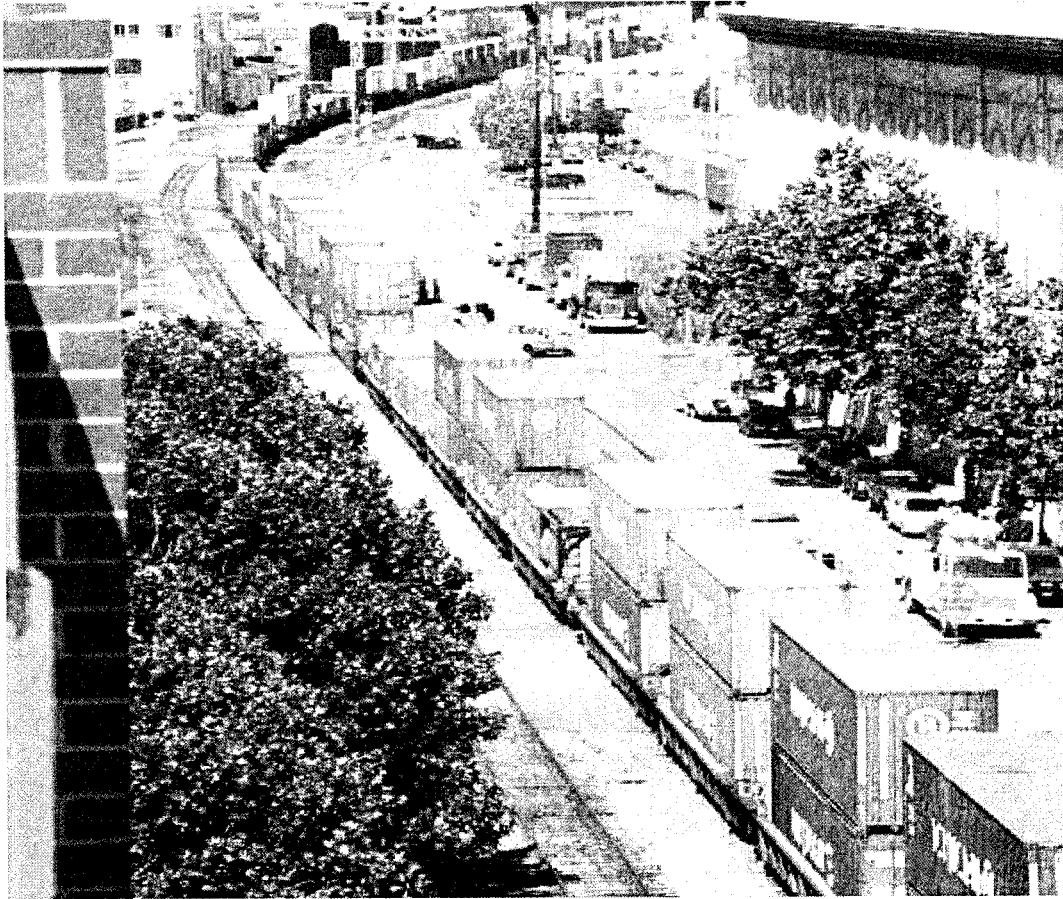
While the economic impacts of ports are positive and widespread, the negative aspects of port operations (e.g. port-generated traffic, noise, wear on local streets, environmental degradation, etc.) are felt locally, usually in areas in close proximity to a port. **TEA-3 should include a “good neighbor policy” that articulates sensitivity to adverse impacts on nearby communities, environmental systems, waterfront access, and quality of life.** TEA-3 should provide additional funding earmarked to help local agencies mitigate adverse local impacts derived from MTS project expansion and increases in global trade.

The MTS intends to be *“an environmentally responsible system for moving goods and people.... The health of America’s ecosystems must be at the core decision points affecting major investments in MTS infrastructure and operations.”* (NORCAL-MTSAC Environmental Subcommittee Environmental Statement.) In order to achieve the highest standard of environmental protection and to guide MTS toward increasing environmental responsibility, the MTS community should adopt specific standards as policy and benchmarks in prioritizing and implementing MTS projects.

4. National Emergency Transportation Investment

The events of September 11, 2001 highlighted a need to be able to respond quickly to catastrophic or widespread emergencies, whether natural disasters, acts of war or terrorism. **The TEA-3 legislation should affirm by policy that improving access to ports is in the national interest and is the highest-priority transportation objective consistent with goals of assuring safety and national security.** The types of projects that would help improve the ability to respond include expedited and direct access to interstate highway system, which was originally designed for military mobilization. Other high-priority projects are those that improve traffic flow or increase capacity along key routes and corridors, including the installation of Intelligent Transportation Systems (ITS). Such projects should be given an explicit preference with or without a set-aside in the allocation of federal transportation funds.

Intermodal freight transportation improvements nationwide are even more critical now in this new era of heightened national security. This is especially important since some of nation’s ports are designated by MARAD as strategic military outload ports. The nation’s ports played a critical role during the Gulf War, and are certainly important today in accommodating cargo destined for the Middle East and other areas throughout the world.



RECOMMENDED CAPITAL PROJECTS

Appendix 1 and Appendix 2 contain lists of recommended MTS infrastructure projects in Northern California and Southern California, respectively. The total magnitude of need in California is **\$23.7 billion** (\$7.2 billion in Northern California and \$16.5 billion in Southern California.)

The projects listed in the appendices cover a broad range of modes and facilities serving California's MTS. There are four categories of projects included in the lists: planning, waterside, terminal, and land-side access. For each category, project objectives are as follows:

PLANNING

The first step in development of any project is to establish a plan and test its feasibility. There are a number of planning and feasibility efforts underway or ready to start that will help California's MTS more fully define its infrastructure development needs. Funding of these studies is a priority.

WATERSIDE PROJECTS

More than anything else, the maritime industry depends on ships. Demands for operational efficiencies spur ocean carriers and shipbuilders to design bigger ships, which in turn

require deeper and wider navigation channels and berths. In Northern California channel depth is an especially acute problem. The Port of Oakland is the shallowest container port in the Pacific Basin. Ports in the San Francisco Bay, inland ports (e.g., Sacramento) and nearby coastal locations are subjected to extraordinary silting from agricultural run-off, requiring constant maintenance dredging and regular searches for acceptable disposal techniques and sites.

TERMINAL PROJECTS

Port terminals must be prepared to accommodate larger ships capable of carrying 4000 + TEUs and projected cargo volumes that continue to rise exponentially. Marine terminals must be expanded and upgraded. Projects that increase throughput or otherwise enhance operational efficiencies are urgently needed.

While operational efficiencies will improve throughput, they do not substitute for additional land, wharves and berths, gates, other capital improvements and physical assets necessary to accommodate anticipated cargo. These land-intensive facilities represent the 'front line' in intermodalism – the bottleneck that has the potential to congest the entire MTS. Throughout California, marine terminal expansion is limited by a lack of suitable and available land. Terminals due to be upgraded or expanded that are currently on the drawing board are identified in the appendices.

Dredging and land acquisition require the longest lead time in port development. Projects which facilitate both processes are of highest priority.

LAND-SIDE ACCESS PROJECTS

By definition, the MTS inextricably binds gateway port facilities and operations to an entire regional network of roads, highways, rail lines, outlying distribution facilities and ancillary services. Throughout California, the goods movement network suffers from both absence and obsolescence of required support activities and facilities. Inadequate street design, traffic conflicts, incompatible work rules, terminal hours, etc. all work to hamper the delivery of cargo to the terminals and/or local distributors. In the Bay Area, chronic congestion and rising land prices are driving port-related services further and further from the port facilities, which adds to the inefficiencies and costs of doing business. Traffic delays adversely affect profits, employee productivity and environmental quality.

Both Northern and Southern California ports have addressed the congestion problems by implementing on-dock and near-dock intermodal railroad facilities that eliminate thousands of truck movements to and from port terminals. The Port of Oakland's Joint Intermodal Terminal (a.k.a. JIT or Oakland International Gateway) and the Ports of Los Angeles and Long Beach's Alameda Corridor are key components of the MTS. Ports around the nation are spending millions of dollars on intermodal facilities, and are in dire need of funds for this type of regional transportation project. Typically, state and local governments do not fund intermodal facilities that are located within a terminal operated by a private entity. However, the public benefits of such intermodal facilities are quite significant. Their success depends on investments in rail and roadway facilities that complement them and provide direct unimpeded access.



Example: An example of a critical national corridor is I-710, the nation's "workhorse intermodal highway" that carries an astonishing 15% of all U.S. waterborne container traffic. This freeway is currently failing in terms of traffic operations and pavement condition. It needs to be expanded to accommodate the expected tripling or quadrupling of cargo at the Ports of Long Beach/Los Angeles. It should be emphasized that I-710 improvements are needed even with the Alameda Corridor, which opened in April 2002 and carries another 15% (including Alameda Street) of all U.S. waterborne container traffic. The estimated cost of improving this Federal and State facility is well over \$4 billion. A comprehensive improvement study is underway which will be completed in early 2003.

While it is necessary to increase the capacities of existing systems, it is also important for ports to convert to 24-hour operations and investigate other operational improvements. For example, short-haul competitive rail service could be established, and subsidized if necessary, connecting the major ports with inland facilities or depots away from the congested urban area.

Application of new management programs, technologies, software, as well as new roadway/railroad corridors or services such as the California Inter-Regional Intermodal System (CIRIS) demonstration project are all necessary and welcome. CIRIS is a proposed container shuttle train which would connect the Port of Oakland and the Port of Stockton, thus reducing container truck traffic between the Bay Area and the Central Valley. In Northern California, container on barge services may prove feasible as an alternative approach to provide better regional service while avoiding urban congestion. In addition, short haul services could provide more competitive services for California and the nation, with an added benefit of reducing pollution.

ENVIRONMENTAL ENHANCEMENT

Environmental enhancement is a key element of the MTS infrastructure development plan. The coastal marine environment is that part of the natural ecology that is most at risk by the development of large facilities. State and federal laws aimed at protecting such environments are explicit. Ports and other MTS industries have a responsibility, if not an obligation, to provide stewardship of the waterfronts. Existing adverse environmental conditions must be remediated. Adverse environmental impacts that are created by new projects must be mitigated to the highest extent feasible. This includes the provision of grade separations of railroad-highway grade crossings.

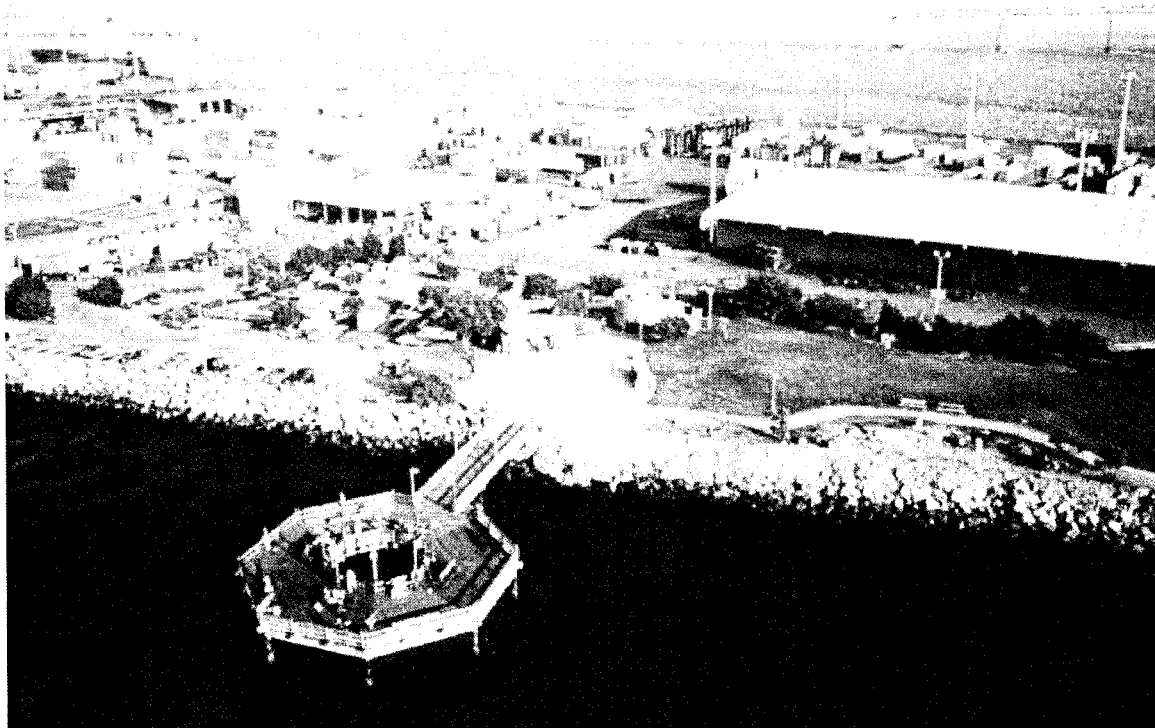
Environmental stewardship goes beyond environmental clean-up and preserving water quality. MTS operations can potentially create noise, glare, dust, barriers to public access, emissions, safety and security conflicts, and other conditions that affect the quality of life in communities near the ports. Sensitivity to the situation and proactive efforts are required.

TECHNOLOGY

The transportation industry, particularly maritime goods movement, is poised to revolutionize the ways it does business. New technologies in the arenas of data management and communication are making it possible to realize greater cost efficiencies in cargo handling. Legislation should include a policy that promotes the use of new technologies and contains provisions for project funding and research. The MTS community in California feels strongly that financial support applied to the development and implementation of these technologies is a high priority. An example of technology in the maritime system is the Ports of Long Beach/Los Angeles Advanced Transportation, Management, Information and Security (ATMIS) System. The ATMIS System which will improve traffic flow for both ports as well as the adjacent regional transportation system consists of the following components:

1. Port Transportation Facility Security System/Emergency Response & Evacuation System
2. Advanced Transportation Management System (ATMS)
3. Advanced Traveler Information System (ATIS)
4. Communication System

The proposed project consists of integrating ITS field devices which will serve the dual purpose of improving traffic flow, and also the safety and security of the Ports. The Ports ATMIS is contained in the Caltrans Statewide Goods Movement ITS Action Plan and State of California Global Gateways Development Program (GGDP).



SECURITY

The unfortunate events of 9/11/01 have had dramatic impacts on California ports and their MTS partners. The attacks illustrated the country's vulnerability to airplanes, trucks and other transportation equipment that are used as vehicles of terror. Airports and seaports were quickly identified among the nation's most valuable strategic facilities, where public safety and terminal security are expected to be maximized. The SOCAL-MTSAC drafted the nation's first vessel and marine terminal port security guidelines, which have now been embraced by all U.S. Pacific Ocean ports (CA, OR, WA, HI, AK, Guam). The guidelines are being considered for national implementation by the U.S. Coast Guard.

Security program mandates to the ports were imposed by the U.S. Coast Guard and other agencies without providing financial assistance. Costs were to be borne by the ports without any confidence of reimbursement. To date, mandated security programs have cost the Port of Oakland approximately \$10.5 million. Estimates of future costs on a regional (San Francisco Bay) basis are as high as \$160 million. The Port of Oakland's costs alone could be in the range of \$60-80 million, with another estimated \$125 million to be directed toward aviation and marine terminal security over the next 5 years.

Nevertheless, it is important to reiterate that the safety and security of those who utilize Port facilities will not be compromised. In the next several years port authorities will work with tenants and appropriate federal and state agencies to establish and maintain the strongest possible defense against terrorism.

A significant component of capital spending over the next 5 years will be devoted to support security enhancements mandated by Congress and directed by regional security requirements. The types of projects that fall into this category include, but are not limited to, protection of bridges, overpasses, key transportation connectors or port access points;

fencing; intrusion detector systems; enhanced lighting and surveillance systems; vehicle and pedestrian-controlled access systems; and secure identification cards.

The federal government must not abdicate its fundamental responsibilities to protect the health and welfare of American citizens. It is absolutely necessary to set aside a certain percentage of TEA-3 funding to seaport and cargo security services.

FUNDING THE CALIFORNIA MTS CAPITAL PROGRAM

Having identified the capital needs of California's Marine Transportation System, the circle needs to be closed by identifying sources of funding to meet these needs. Regional planning officials believe that there are little or no extra funds available in existing funding programs, as currently structured, to spread to new areas such as ports and the goods movement infrastructure. The vast majority of the federal funds in these programs are committed, either by statute or through long-term regional plans. Therefore, regional agencies believe that funding to meet the needs of the California MTS should come largely from new sources, as opposed to re-allocating or diverting existing programs.

Nevertheless, a thorough review of all current programs is warranted considering that the safe and efficient movement of goods is crucial to national security, economic vitality and environmental quality. Consideration should be given to establishing a **dedicated funding source for the MTS**.

Additional funding recommendations are listed below. Those endorsed by the Freight Stakeholders Coalition are shown with an asterisk (*). The Coalition includes: American Association of Port Authorities, the Intermodal Association of North America, the American Trucking Associations, the Association of American Railroads, the U.S. Chamber of Commerce, the National Industrial Transportation League, the World Shipping Council, the Coalition for America's Gateways and Trade Corridors, and the National Association of Manufacturers.

1. **Reauthorize the firewalls provided for in TEA-21 to ensure that the funds collected are used for their dedicated purpose and not for deficit reduction,* and make every effort to spend down existing balances in the Highway Trust Fund and assure that future funds are spent in a timely fashion.**
2. **Dedicate funds for National Highway System connectors to intermodal freight facilities. ***

The NHS Intermodal Freight Connectors report that was sent to Congress documents the fact that these road segments are in worse condition and receive less funding than other NHS routes. Targeted investment in these "last mile" segments would reap significant economic benefits compared to the associated costs.

3. **Significantly increase funds for an expanded corridor/border and gateway program. ***

This would build on the highly popular but under-funded "Corridors and Borders Program" (Sections 1118 and 1119), but adds the important concept of gateways. The funding should be freight specific, and there should be a qualification threshold

(based on volumes) so that dollars get directed to high volume corridors/borders/gateways rather than wish-list projects.

TEA-3 programs should specifically reinforce the concept of “maritime gateways” and should specifically identify them as eligible projects. The nation’s key seaports should be added to the designated list of “High Priority Corridors and *Gateways*.” Additionally, local agencies such as port authorities, multi-agency joint powers authorities, and private/public coalitions should be able to submit applications directly for funding as opposed to only state DOTs. Eligible activities should include planning, analysis, operations, and construction. Freight volumes should be a key factor in the evaluation and funding of applications.

4. Increase funding and promote the use of the Congestion Mitigation and Air Quality Improvement Program (CMAQ) for freight projects that reduce congestion and improve air quality.*

CMAQ was designed to fund projects that will help reduce transportation-related emissions. Although CMAQ has supported some freight projects, it has been used primarily to address passenger needs. CMAQ funding should be dedicated to projects that can be shown to reduce congestion or improve air quality. TEA-3 should also explicitly allow freight rail and water transport projects that divert goods movement from trucks to be eligible for CMAQ funding, based on the reduction in air emissions that such projects would bring about.

Total funding for CMAQ should be increased and the use of CMAQ funds for freight projects should be clarified and strongly encouraged. One such example is on-dock or near-dock intermodal rail yards that eliminate thousands of truck trips on our nation’s roadways and more importantly improve air quality. Such facilities are integral to the success of the Alameda Corridor.

5. Continue the Transportation Security Administration Ports Security Program on an annual basis with a sufficient amount of funds from the General Fund.

6. Increase funding for the Commercial Vehicle Operations Program.

Transportation security should be emphasized within the overall ITS program. Additionally, the federal government should require state DOTs, MPOs, and sub-regional transportation agencies that program federal funds to ensure that ITS freight projects are adequately considered and evaluated on par with other types of ITS projects in the funding processes.

7. Restore equal taxation of gasohol with that of gasoline and redirect gasohol tax revenues to the Highway Trust Fund with some portion dedicated to goods movement improvements.

8. Credit all interest earned on the fund balances in the Highway Trust Fund directly to the trust fund.

9. Increase funding for the Section 130 grade crossing program.

10. Increase funding for the Railroad Rehabilitation and Improvement Financing (RRIF) program and remove overly restrictive regulatory requirements that have hindered program implementation.

Potential New Sources of Funding

Other new sources of funding should be seriously considered and evaluated with respect to their impacts on the goods movement industry, including:

• **The Transportation Finance Corporation proposed by AASTHO**

The American Association of State Highway and Transportation Officials (AASHTO) has proposed a federally chartered non-profit *Transportation Finance Corporation (TFC)* that would sell tax credit bonds in the nations' capital markets and make the net proceeds available to States on a formula basis. Investors would purchase these bonds, and instead of receiving interest they would receive a federal tax credit.

The TFC would provide a total of \$47.6 billion in funding for surface transportation infrastructure from FY 2004 through FY 2009. The TFC would distribute the funds through three basic mechanisms: Highway Program Fund (\$34.11 billion), a Transit Program Fund (\$8.5 billion), and a Capital Revolving Fund (\$5 billion).

Of particular interest to the MTS would be the proposed \$5 billion Capital Revolving Fund. This is another loan program, however. The TFC would lend money at below market rates (2 to 3 percent) for freight rail connectors and other intermodal facilities, high-speed passenger rail corridors, seaport access projects, transit joint development projects and intercity bus vehicles and facilities.

• **The federal gas tax increase proposed by ARTBA**

The American Roadway Transportation Builders Association (ARTBA) has proposed a more traditional solution to raising additional funds for transportation. ARTBA advocates *an increase in the federal gas tax* by two cents per year for six years for a total of twelve cents. Their slogan is "Two Cents Makes Sense". ARTBA Chief Executive Officer Pete Ruane has said, "Without a new expanded revenue stream, purchasing power of the federal highway program will be less in 2009 than it is this year."

Under the ARTBA proposal, the federal gas tax increase combined with better cash management would ramp up federal highway spending by \$5 billion per year reaching \$60 billion in FY 2009. ARTBA also favors toll-financed truck-only lanes.

• **The Railroad Trust Fund proposed by Congressman William Lipinski**

Congressman William Lipinski (D-Chicago), representing Illinois' Third District, has proposed the creation of a *Railroad Trust Fund* which would be funded in part from the existing 4.3-cent railroad diesel fuel tax. These funds currently generate about \$170 million per year and accrue to the U.S. Treasury as general revenue. The railroads are lobbying to have this tax repealed outright so that the railroads could apply the savings to badly needed capital improvement projects. The railroads oppose the Trust Fund concept, partly because they suspect the funds would go to support Amtrak and commuter rail at the expense of the freight railroads. In addition to the diesel tax, Congressman Lipinski may

want to fund the proposed trust fund with an increment of growth of Customs revenue and a portion of an increase in the federal gas tax.

- **The Freight and Intermodal Transportation Fund proposed by California State Senator Betty Karnette**

California State Senator Betty Karnette (D- Long Beach) has proposed creation of a *Freight and Intermodal Transportation Fund* as a means of funding freight transportation infrastructure programs. The proceeds from the fund would be dedicated to goods movement infrastructure projects. Based on the concept of highway and aviation transportation funding, these funds would be held in a trust fund separate from the government's general fund.

The FIT fund would be capitalized by a new customs fee levied on imported cargo. The U.S. Customs Service would collect the fees. The administrator of the fund (probably the U.S. Department of Transportation) would oversee the distribution of the money and would take into account return-to-source of collected funds balanced with a performance-based ranking of projects and programs submitted for funding consideration. Funding through FIT could be a blend of low-cost loans, grants, or pledgable revenues to project sponsors.

SUMMARY

Three core messages from this document should be conveyed to California's legislative delegation in Washington, D.C.

1. The flow of goods to and from California ports and along associated inland transportation corridors must be recognized for the huge economic benefit it brings to the producers, manufacturers, transporters and consumers of those goods throughout the entire nation.
2. Given the magnitude of this flow of goods, Congress must establish viable funding sources that will allow the goods movement infrastructure to keep pace with the steadily increasing growth of this sector. This may entail the creation of new sources of funds given that existing funding programs are already oversubscribed and/or dedicated.
3. The funding needs of the MTS in California are great and cover a broad range of modes and facilities. The total funding need for the recommended MTS projects in California is **\$23.7 billion** (\$7.2 billion in Northern California and \$16.5 billion in Southern California.)

APPENDIX 1
NORTHERN CALIFORNIA MTS
Infrastructure Needs Assessment
SUMMARY (\$000)

PORT / REGION	NEAR (<5 yrs)	MID (5-10 yrs)	LONG (>10 yrs)	TOTAL (\$000)
Region Wide	\$14,000	\$2,761,000	\$2,111,000	\$4,886,000
Port of Oakland	\$423,000	\$310,000	\$165,000	\$898,000
Port of San Francisco	\$502,000	\$178,000	\$120,000	\$800,000
Port of Stockton	\$232,000	\$68,000		\$300,000
Port of Sacramento	\$31,000			\$31,000
Port of Richmond	\$7,000			\$7,000
Port of Humboldt Bay	\$22,000	\$242,000	\$15,000	\$279,000
Harbor Districts	\$12,000			\$12,000
Total	\$1,243,000	\$3,559,000	\$2,411,000	\$7,213,000

NORTHERN CALIFORNIA MTS
Infrastructure Needs Assessment
REGION-WIDE PROJECTS
High-priority 'Strategic Investments' are highlighted.

P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION	PROJECT TYPE	COST ESTIMATE (\$000)
Near		
Global Gateway Development Program Implementation	W,T,L	\$10,000
SF Bay Seaport Plan Update	P	\$700
Metropolitan Community Portal	P	\$1,000
Physical Oceanographic Real Time System (PORTS)	P	\$1,000
Bay Area Transportation Plan Update: Goods Movement Study	P	\$750
San Joaquin Valley Goods Movement Study	P	\$500
Central Stanislaus County Goods Movement Study	P	\$500
Mid - Long		
Bay Area Water Transit (Ferry) System	W,L	\$650,000
LTMS Environmental Windows Study	W	\$2,700
I-80/880 Corridor Roadway & Interchange Improvements *	L	\$287,800
I-580 / SR238 Corridor Roadway & Interchange Improvements *	L	\$465,000
I-680 Corridor Sunol Grade Truck Lanes *	L	\$200,000
Dumbarton Bridge Rail Corridor *	L	\$125,000
Other Corridors: Roadway, Bridge & Interchange Improvements *	L	\$1,540,000
Passenger Rail (Caltrain, BART, Amtrak etc.) Expansion & Improvements *	L	\$1,600,000
Long		
Intermodal System Mapping, Modeling & Research	P	\$1,000
* Corridor wide projects; Assumed to be divided 50-50 between Mid- Long Term		
SUBTOTAL : Region-Wide		\$4,886,000

NORTHERN CALIFORNIA MTS
Infrastructure Needs Assessment
PORT OF OAKLAND PROJECTS
High-priority 'Strategic Investments' are highlighted.

P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION	PROJECT TYPE	COST ESTIMATE (\$000)
Near		
Oakland Harbor Improvements <ul style="list-style-type: none"> • -50' Channel Deepening 1 • Associated berth deepening & wharf upgrades 	W	\$293,000
Port-wide Wharf strengthening	W	\$50,000
Maritime Support Ctr. Development	T	\$25,000
Maritime Security <ul style="list-style-type: none"> • Worker ID System • Terminal Traffic controls • Surveillance & Monitoring • Utility upgrades; Security lighting 	T	\$55,000
Mid		
Oakland Outer Harbor Reconfiguration <ul style="list-style-type: none"> • Berth 20-22 Extension • Rationalize terminal layouts • Rehabilitate terminals & gates • Upgrade utilities 	L	\$300,000
Street Improvements <ul style="list-style-type: none"> • Maritime St. Realignment • 7th St. grade separation • Air cargo access road 	L	\$10,000
Long		
Phase II JIT capacity enhancement (Knight Rail Yard)	W,T	\$96,000
Oakland-Stockton Inland Port rail shuttle (CIRIS) <ul style="list-style-type: none"> • Capital Expenses • Operating expense (6 yrs) 	T,L	\$36,000
Environmental Mitigation <ul style="list-style-type: none"> • Hamilton Field wetland restoration • Other mitigation & public access 	W	\$15,000
OAK-SFO Cargo Ferry Demonstration	W,T	\$6,000
SUBTOTAL : Port of Oakland		\$898,000

NORTHERN CALIFORNIA MTS
Infrastructure Needs Assessment
PORT OF SAN FRANCISCO PROJECTS
High-priority 'Strategic Investments' are highlighted.

P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION	PROJECT TYPE	COST ESTIMATE (\$000)
Near		
Port Security Improvements		\$72,000
• SFPD Maritime Patrol Station	T	
• Pier 22 Fire Boat Station Seismic Strengthening and Upgrade	T	
• Southern Waterfront Fire Boat Station & Pier Construction	T	
• Other Port Security	T	
Port Navigation Improvements		\$21,000
• Berth 30 Deepening	W	
• Pier 70/Central Basin Dredging	W	
• Islais Creek Improvements	W	
Port Terminal & Pier Improvements		
• Pier 45 Truck Access Improvements	T	\$5,000
• Pier 35 Seismic Strengthening & Shed Upgrades	T	\$22,000
• Pier 70/Drydock Facility Renovation	T	\$40,000
Road & Rail Improvements		
• Illinois St. Bridge & Associated Port rail improvements	L	\$32,000
• Amador St. Transportation Corridor Improvements	L	\$30,000
• Rail system improvements	L	\$50,000
Mitigation of Impacts		\$52,000
• Brannan St. Wharf / Mitigation	T,L	
• Pier 94 Wetland Enhancement / Mitigation	T	
• Pier 70 Public access	T,L	
• Upper Islais Cr. Restoration & access	T,L	
Near, Mid, Long		
Port Terminal & Pier Improvements		
• Multiple Piers: Seismic Strengthening *	T,L	\$120,000
• Piers 80, 90/92 Renovation and Expansion **	T	\$355,000
* ½ Near, ½ Mid ** 1/3 Near, 1/3 Mid, 1/3 Long		
SUTOTAL : Port of San Francisco		\$800,000

NORTHERN CALIFORNIA MTS
Infrastructure Needs Assessment
PORT OF STOCKTON PROJECTS
High-priority 'Strategic Investments' are highlighted
P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION	PROJECT TYPE	COST ESTIMATE (\$000)
Near		
Multiple Terminals: Renovation • Seismic Retrofit • Utilities, Genl. Infrastructure	T	\$52,000
Rail Improvements • Washington St. – Navy Dr. Grade Separation • East Complex • West Complex	L	\$57,000
I-5 Corridor Roadway & Interchange Improvements • East Complex • Charter Way • Internal Streets	L	\$123,000
Mid		
Stockton Channel Deepening (incl. Berths)	W	\$68,000
SUBTOTAL : Port of Stockton		\$300,000

PORT OF SACRAMENTO PROJECTS
High-priority 'Strategic Investments' are highlighted
P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION	PROJECT TYPE	COST ESTIMATE (\$000)
Near		
Southport Road Reconstruction	L	\$11,000
Multiple Terminals: Renovation & Seismic Retrofits	T	\$4,500
Container Barge Feasibility Study	P	\$600
-35' Channel Deepening	W,T	\$15,000
SUBTOTAL : Port of Sacramento		\$31,000

NORTHERN CALIFORNIA MTS
Infrastructure Needs Assessment
PORT OF RICHMOND PROJECTS
High-priority 'Strategic Investments' are highlighted

P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION	PROJECT TYPE	COST ESTIMATE (\$000)
<i>Near</i>		
Multiple Terminals: Renovation & Seismic Retrofits	T	\$3,000
Richmond Mitigation: Rosie-the-Riveter Park Expansion	W	\$4,000
SUBTOTAL : Port of Richmond		\$7,000

HARBOR DISTRICT PROJECTS
High-priority 'Strategic Investments' are highlighted

P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION	PROJECT TYPE	COST ESTIMATE (\$000)
<i>Near</i>		
Oyster Point Harbor Breakwater	W	\$800
Pillar Point Harbor Improvements	W	\$10,000
Santa Cruz Harbor Improvements	W	\$1,300
SUBTOTAL : Harbor Districts		\$12,000

NORTHERN CALIFORNIA MTS
 Infrastructure Needs Assessment
PORT OF HUMBOLDT BAY PROJECTS
 High-priority 'Strategic Investments' are highlighted .

P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION	PROJECT TYPE	COST ESTIMATE (\$000)
Near		
Eureka Cruise Terminal Construction (Dock B)	T	\$8,000
Fields Landing Terminal Rehabilitation	T	\$5,000
PORTS (Physical Ocean Real Time System)	P	\$300
Woodley Island Marina Improvements	W	\$1,400
Dredge Disposal Management Area Purchase	W	\$2,000
Fields Landing Truck Access Route	W	\$5,500
Mid		
Highway 299 Buckhorn Grade Improvement Project	L	\$150,000
Northwestern Pacific Railroad Improvements	L	\$52,000
Samoa Industrial Dock Replacement	W	\$20,000
Samoa Industrial Area Wastewater Treatment Plant	T	\$20,000
Long		
Humboldt Bay South Jetty/Entrance Modification	W	\$15,000
Inland Multi-modal Facility Planning	P	\$250
SUBTOTAL : Port of Humboldt Bay		\$279,250
TOTAL : Northern California		\$ 7,213,000

APPENDIX 2
SOUTHERN CALIFORNIA MTS
Infrastructure Needs Assessment
SUMMARY (\$000)

PORT / REGION	NEAR (<5 yrs)	MID (5-10 yrs)	LONG (>10 yrs)	TOTAL (\$000)
Los Angeles Region	\$2,929,000	\$4,946,000	\$315,000	\$8,190,000
San Diego Region	\$99,000	\$3,610,000		\$3,709,000
Imperial Co. Region	\$63,000			\$63,000
Port of Hueneme	\$50,000			\$50,000
Port of Los Angeles	\$478,000	\$795,000		\$1,273,000
Port of Long Beach	\$1,008,000	\$1,202,000	\$575,000	\$2,785,000
Port of San Diego	\$99,000	\$295,000		\$394,000
Total	\$4,726,000	\$10,848,000	\$890,000	\$16,464,000

SOUTHERN CALIFORNIA MTS
Infrastructure Needs Assessment
REGION-WIDE PROJECTS
High-priority 'Strategic Investments' are highlighted.

P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION Los Angeles Region	PROJECT TYPE	COST ESTIMATE (\$000)
Near		
Southern California Regional Supply Chain Simulation (RSCS) Model and Multimodal Goods Movement Database	P	\$1,500
I-710 Corridor/Gerald Desmond Bridge Gateway Program: Gerald Desmond Bridge Replacement (\$605 M)	L	<i>Amount accounted for under POLB</i>
Alameda Corridor-East Construction Authority Phase I Grade Separations	L	\$401,200
OnTrac: Grade separations of Melrose Street and Placentia Avenue and closure of Bradford Street	L	\$40,500
OnTrac: Orange County Gateway Project (8 grade separations or trench)	L	\$477,200
I-710 Corridor/Gerald Desmond Bridge Gateway Program: Interchanges with I-5, I-405, SR 91 & Arterial Streets	L	\$1,609,000
Near-and off-dock rail yard expansion	L	\$400,000
Mid		
Remaining I-710 Corridor	L	\$3,000,000
Track and Signal improvements on BNSF San Bernardino Subdivision	L	\$294,000
Track and signal improvements on UPRR Los Angeles and Alhambra Subdivisions	L	\$369,000
Alameda Corridor-East Construction Authority Phase II Grade Separations	L	\$521,800
C.S. Heim Bridge Replacement/SR 47 Truck Expressway	L	\$400,000
Imperial Highway grade separation on BNSF San Bernardino Subdivision	L	\$60,000
San Bernardino Co.: 8 grade separations (5 construction, 3 design)	L	\$101,500

Riverside Co.: 10 "Priority 1" grade separations	L	\$200,000
Long		
Colton Crossing Grade Separation (UPRR over BNSF)	L	\$90,000
Track and Signal Improvements on BNSF San Bernardino Subdivision	L	\$154,000
Gateway Cities: Grade separations of Passons Boulevard and Norwalk Boulevard on BNSF San Bernardino Subdivision	L	\$70,600
SUBTOTAL: Los Angeles Region		\$8,190,000

PROJECT LOCATION/ DESCRIPTION San Diego Region	PROJECT TYPE	COST ESTIMATE (\$000)
Near		
SR-905 6-lane freeway	L	\$56,200
SD&AE Railway re-opening	L	\$43,000
Mid		
I-805 Mission Valley Viaduct	L	\$250,000
I-805 from I-8 to I-5: priority segment	L	\$400,000
I-805 from SR 905 to SR 54	L	\$300,000
I-805 from SR 54 to I-8	L	\$450,000
I-5 HOV lanes from Del Mar Heights to Vandergrift	L	\$890,000
SD&AE Railway modernizing	L	\$62,400
Otay Mesa Intelligent Trans. System	L	\$20,000
SR-11 4-lane freeway to SR-905	L	\$238,000
SR-805 enhancements from SR-905 to I-5	L	\$500,000
I-5 HOV lanes from Del Mar to SR-78	L	\$500,000
SUBTOTAL: San Diego Region		\$3,709,600

PROJECT LOCATION/ DESCRIPTION Imperial County	PROJECT TYPE	COST ESTIMATE (\$000)
Near		
SR-78/86 4-lane expressway Brawley Bypass	L	\$18,000
SR-98 improvements and widening 4/6 lanes	L	\$44,500
SUBTOTAL: Imperial County		\$62,500

SOUTHERN CALIFORNIA MTS
 Infrastructure Needs Assessment
PORT OF HUENEME
 High-priority 'Strategic Investments' are highlighted.
 P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION	PROJECT TYPE	COST ESTIMATE (\$000)
Near		
Security Enhancements (Highest Priority)	T	\$660
South Terminal – East Expansion Project	T	\$8,000
Shoreline Protection Improvements	T	\$4,500
Phase 2 Port Intermodal Corridor	L	\$18,000
Santa Suzana RR Tunnel #26	L	\$12,000
Harbor Deepening minus 5 more feet	W	\$3,000
Wharf and embankment stabilization	W	\$4,000
SUBTOTAL: Port of Hueneme		\$50,160

SOUTHERN CALIFORNIA MTS
Infrastructure Needs Assessment
PORT OF LOS ANGELES
High-priority 'Strategic Investments' are highlighted.

P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION	PROJECT TYPE	COST ESTIMATE (\$000)
Other Port Projects Under Construction or Expected to Be Under Construction by 10/2003 (commencement of TEA3 term) Costs Not Included in Total		
Harry Bridges Realignment (\$20 M)	L	
Pier 400 Phase 2 (\$118 M)	T	
West Basin Development Phase 2 (\$111 M)	T	
World Cruise Terminal berths 93A & B (\$14 M)	T	
Main Channel Deepening Program (\$165 M)	W	
San Pedro Waterfront Red Car Line (\$7 M)	L	
Near		
Portwide Wharf Upgrade Program Phase I	W	\$100,000
Berths 226-232: 55 acre expansion	T	\$15,000
Portwide Security Program	W,T	\$50,000
Berth 142-147 ICTF Rail Yard	L	\$20,000
Avalon Grade Separation	L	\$20,000
Neptune Avenue Grade Separation	L	\$30,000
Navy Way/Seaside Avenue Grade Separation	L	\$20,000
110/47/103 Interchange Improvements	L	\$50,000
Berths 136 – 148 Container Development	T	\$120,000
Berths 223 – 236 Evergreen Expansion	T	\$10,000
Manual Rail Yard – Pier "A" replacement	L	\$12,000
Catalina Terminal and Island Helicopter Terminal	T	\$15,000
West Channel/Cabrillo Marina	W	\$16,000
Mid		
Berth 195-199 Container Terminal	T	\$132,000
Portwide Wharf Upgrade Program Phase II	W	\$100,000
Waterfront Redevelopment Program	W	\$420,000
West Basin Rail Yard Expansion	L	\$20,000
B Street Rail Realignment	L	\$3,000
Pier 300 40-acre Terminal expansion	T	\$40,000
Berths 206 – 209 Container Development	T	\$80,000
SUBTOTAL: Port of Los Angeles		\$1,273,000

SOUTHERN CALIFORNIA MTS
 Infrastructure Needs Assessment
PORT OF LONG BEACH
 High-priority 'Strategic Investments' are highlighted.

P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION	PROJECT TYPE	COST ESTIMATE (\$000)
* Other Port Projects Under Construction or Expected to Be Under Construction by 10/2003 (commencement of TEA3 term) Costs Not Included in Total		
POLB/POLA Advanced Trans.Mngt Info/Security System (\$7.8 M)	L	
Terminal Island Freeway/Ocean Blvd Interchange (\$50 M)	L	
Pier G, Berths G212 – 215 upgrades (\$10 M)	W	
Pier T Container Terminal – Phase II (200.3 M)	T	
Pier G Container Terminal – Phase I (\$80 M)	T	
Pier E Container Terminal – Phase I (\$20.7 M)	T	
North Harbor Storage Facility (\$1.7 M)	T	
Alameda Corridor Terminus - Mainline Trackage (\$11.9 M)	L	
Near		
Ports Security Project	T	\$20,000
Pier S Container Terminal	T	\$140,200
Terminal Island Fire Station	T	\$2,000
Pier T EastBreak Bulk Facility	T	\$12,700
Pier T East Liquid Bulk Facility	T	\$20,000
Pier J South Phase I	T	\$80,000
Gerald Desmond Bridge Replacement/I-710 Corridor Project - also listed under L.A. region <i>Highest Priority</i>	L	\$605,000
Terminal Island Freeway/Ocean Blvd Interchange -shortfall	L	\$15,000
Alameda Corridor/Pier B St. Railyard Expansion	L	\$67,000
POLB/POLA Advanced Transportation Management Info/Security System - shortfall	L	\$3,100
I-710 Southern Terminus Bridge Rehab project	L	\$22,600
Pier B Street/Terminal Island Fwy On-Ramp	L	\$1,000
Alameda Corridor Terminus/Port Rail Mainline System	L	\$19,400
Mid		
Pier G Container Terminal – Phase II	T	\$319,000
Pier J Container Terminal	T	\$337,000
Pier E Container Terminal - Phase II	T	\$308,200
Pier A Container Terminal	T	\$189,300
Pier B Auto Terminal	T	\$12,100

Main Channel Dredging - Phase II	W	\$2,000
Alameda Corridor Terminus/Port Mainline Rail System - Centralized Train Control	L	\$34,600
Long		
Pier W Container Terminal	T	\$500,000
Alameda Corridor South End Improvements (add'l trackage; Cerritos Channel, New Dock St./Henry Ford Av. grade sep.) - proposed joint POLA/POLB project	L	\$75,000
SUBTOTAL: Port of Long Beach		\$2,785,000

SOUTHERN CALIFORNIA MTS
Infrastructure Needs Assessment
PORT OF SAN DIEGO
High-priority 'Strategic Investments' are highlighted.

P=Planning W=Waterside T=Terminal L=Landside

PROJECT LOCATION/ DESCRIPTION	PROJECT TYPE	COST ESTIMATE (\$000)
* Other Port Projects Under Construction or Expected to Be Under Construction by 10/2003 (commencement of TEA3 term) Costs Not Included in Total		
Dole Container Terminal - Completed (\$27 M)	T	
Cruise Passenger Bridge - Completed (\$3.8 M)	T	
10th Avenue Marine Terminal (TAMT) Gate Complex (\$5.0 M)	T	
National City Marine Terminal (NCMT) Wharf Extension (\$25 M)	T	
Near		
General Container Terminal	T	\$23,000
Cruise Terminal Expansion	T	\$66,000
TAMT 2nd Gate Complex	T	\$1,000
Phase 1 Deepening to minus 42 feet	W	\$9,100
Mid		
TAMT Intermodal Viaduct <i>Highest Priority</i>	L	\$138,000
28th St. Intermodal Access <i>Highest Priority</i>	L	\$22,000
NCMT Intermodal Access	L	\$35,000

Phase 2 Deepening to minus 42 feet	W	\$100,000
SUBTOTAL: Port of San Diego		\$394,100
TOTAL : Southern California		\$16,464,000

APPENDIX 3

Global Gateways Development Program

EXECUTIVE SUMMARY

January 2002

The Global Gateways Development Program (GGDP) report is a reflection of stakeholder perspectives on the urgency and options to facilitate the movement of goods in California. The report suggests that goods movement is an economic and transportation priority that requires concerted action ... now.

Goods movement and California's place in the global economy have become high priorities for decision-makers at both the State and national levels. Early in his administration, Governor Gray Davis launched an initiative to solidify the Golden State's position as the West Coast gateway for goods entering or leaving the United States from or to the Pacific Rim. Governor Davis spearheaded the development and implementation of the Traffic Congestion Relief Program (TCRP), a nearly \$8 billion investment effort to upgrade California's infrastructure to ease congestion and improve mobility. The TCRP represented the single largest investment in transportation infrastructure improvements in the State's history. Among the projects to receive funding under the TCRP were grade crossing improvements to the Alameda East Corridor, the gateway to the Ports of Los Angeles and Long Beach, and for freeway access to the Otay Mesa Border Crossing at the California/Mexico border. Over \$160 million in projects benefiting goods movement were also included in the interregional portion of the 2000 State Transportation Improvement Program (STIP).

Building upon the momentum of the Governor's transportation initiative, Senate Concurrent Resolution (SCR 96) by Senator Betty Karnette (D-Long Beach) was enacted. Under SCR 96, the California Department of Transportation (Department) and other cooperating agencies were requested to develop a proposal for a Global Gateways Development Program (GGDP). As developed with extensive input from goods movement industry representatives and other stakeholders, this report provides an outline of policy options and technical background for further discussion of actions to enhance the capacity and improve the efficiency of California's global goods movement system. It focuses on facilities with the highest freight volumes and greatest transportation challenges including: international airports, seaports, trade corridors (rail lines and highways), border crossings, major intermodal transfer facilities and goods movement distribution centers. As outlined, it is a basis for seeking additional federal, State, regional, local and private sector funding for goods movement improvements that would bring about the greatest transportation, economic, community, and environmental benefits.

The report is designed to generate discussion among policy makers, so that the State's most pressing transportation and community livability problems can be solved. Successfully addressing infrastructure capacity and associated environmental issues through cooperative efforts by the Administration, the Legislature, regional and local agencies, and private interests is crucial if California is to continue to function as a major global gateway, and continue to reap the economic, technological, and quality of life benefits as a major player in the global economy.

The Importance of Goods Movement: Improving goods movement is critical to the California economy, where more than 1 in 7 jobs are tied to trade and the value of international trade exceeds \$350 billion annually. Goods movement improvements reduce congestion and delays for California businesses, carriers, and shippers and provide more reliable access to international and domestic markets. The results are lower transportation and inventory costs, and enhanced productivity, profits, growth, and competitiveness. Improvements to the goods movement system will also benefit California consumers by lowering insurance costs, reducing congestion, improving safety, and enhancing community livability and the environment through reduced air pollution, noise and energy consumption.

The benefits of goods movement improvements extend nationwide. California's global gateways, such as the Ports of Los Angeles, Long Beach, and Oakland, international airports at Los Angeles, San Francisco and Oakland, and its trade corridor highways, rail lines and border crossings, represent the largest trade transportation complex in the United States. The rest of the nation heavily relies upon this system, particularly for access to the Pacific Rim. For example, 60 percent of the imported goods shipped into the Chicago area pass through the Ports of Los Angeles and Long Beach. Millions of jobs nationwide depend on California's transportation network.

Goods Movement Challenge: The California goods movement challenge is both substantial and immediate. Congestion and delays are mounting. The development of the State's gateway facilities and freight transportation infrastructure has not kept pace with economic and trade growth. As a result, congestion, delays, accidents, and freight transportation costs have increased. This transportation deficiency, if not remedied, threatens to grow much worse as the shift to just-in-time production and inventory, the growth in research, manufacturing and retailing industries, and the expanded role of e-commerce increases goods movement demand. Port container traffic and air cargo volumes are expected to triple by 2020, while overall goods movement volume is projected to jump 56 percent, between 1996 and 2016. Failure to address the growing demand could have dire impacts on the State's ability to remain competitive economically and could drastically hamper California's ability to create new jobs and retain existing businesses.

Although there was agreement on many issues, the stakeholders did not reach consensus on every issue. Key stakeholders included shippers and receivers, carriers (truck, rail, air, and maritime), seaports and airports, academics, joint powers authorities, Metropolitan Planning Organizations (MPOs), Regional Transportation Planning Agencies (RTPAs), county transportation commissions and the Business, Transportation and Housing Agency, Department and California Transportation Commission. Bringing together public and private perspectives in a collaborative approach, this report provides important information for consideration by decision makers in building a coordinated California approach to the reauthorization of the Transportation Equity Act for the 21st Century (TEA-21). Its reauthorization, beginning in 2003, will enable California to seek additional federal funding for its goods movement investment strategy and priority projects.

Priority Gateways and Improvement Needs: Among California's top priority global gateways are six ports (Long Beach, Los Angeles, Oakland, Hueneme, Sacramento and Stockton); five international airports (Los Angeles, San Francisco, Oakland, Ontario, and San Diego); and two border crossings (Otay Mesa and Calexico). Key international trade corridors identified includes eight interstate highways (5, 15, 40, 80, 405, 238, 805, 880), as well as substantial portions of seven others (8, 10, 105, 205, 380, 580, 710). Four

U.S./State Routes (11, 60, 152, 905) and sections of eleven others (7, 50, 58, 78, 86, 94, 99, 101, 111, 120, 125), as well as the main lines of the Burlington Northern Santa Fe (BNSF) Railway and the Union Pacific (UP) Railroad are also identified. These support the key gateways in the origin and receipt of international trade, including the Los Angeles, San Francisco, Central Valley, and California/Mexico International Border regions.

For the State's seaports, the most serious landside transportation problem is truck delays. Congestion, terminal wait and turnaround delays, limited warehouse pickup and delivery schedules, hours of operation restrictions, and inadequate parking cause severe and growing problems for the trucking industry. Valuable time is lost, and idling trucks generate pollution. Channel depths and harbor dredging are also significant problems for some ports.

For the international airports, truck access is a critical problem, especially at Los Angeles, Oakland, and Ontario airports. San Diego also has operating constraints, and runway and land-use limitations. Expansion of California's largest airports is hindered by urbanization, ground access limitations, air quality restrictions and local opposition. Sufficient air transport capacity needs must be addressed, which balances mobility needs, security concerns, and community impacts in providing an integrated system of airports in California.

Both the BNSF and UP railroads also face capacity, environmental and community-related problems. Capacity constraints are most acute in single-track passes and near the Ports of Long Beach and Los Angeles, where space for intermodal transfers and equipment storage is scarce. Railroad grade crossings pose challenges such as congestion, emergency access, safety, noise and air pollution.

At the Mexican border, goods movement traffic has increased dramatically since passage of the North American Free Trade Agreement (NAFTA). Mexico is the United States' second largest trading partner and California's first largest trading partner. Moreover, 98 percent of California's trade with Mexico is transported by truck. In 2000, more than two million trucks crossed the border. By 2020 cross-border truck and auto trips are projected to double, potentially resulting in even more delays unless action is taken.

On California's highways congestion is becoming a major challenge for commuters and truck drivers alike. Many stakeholders believe the I-710 corridor between the Ports of Long Beach and Los Angeles, and the intermodal yards near downtown Los Angeles, is the number one gateway corridor needing immediate attention. Another priority identified is the Port of Oakland/Bay Area I-580 gateway corridor to the Central Valley, which has experienced significant traffic growth. Upgrades to State Route 99, and maintenance and improvement of Interstate 5 through the Central Valley, are also key to California maintaining its place in the movement of domestic and international trade. This system must be maintained and expanded, and its operational efficiency must be improved, if congestion problems are to be mitigated.

Funding Strategies: Most stakeholders believe that funding to improve California's gateways and goods movement system will need to come from both innovative public-private partnerships programs, and modifications of existing State and federal programs. The State of California provides ongoing funding through the STIP, the State Highway Operation and Protection Program (SHOPP), and the California Aid to Airports Program (CAAP). The State also has a number of innovative financing programs including the

TCRP, State Highway Account (SHA) Short-Term Loans, Grant Anticipation Revenue Vehicles (GARVEE), the Transportation Finance Bank (TFB), and the California Infrastructure and Economic Development Bank (CIEDB). However, these programs need to be modified to be fruitful funding sources. For example, the 25 percent portion of the STIP for interregional system improvements is not sufficient to address statewide transportation needs, including essential goods movement improvement projects. Increases in regional funding participation in the funding of major goods movement projects must also occur to a much larger degree. There has been little interest in SHA loans because the interest rate is non-competitive. Finally, with limited capitalization (only \$3 million), the TFB has effectively been unavailable to support goods movement or other transportation projects.

The federal government, through TEA-21, provides funding that can be used for goods movement projects. This includes the National Highway System (NHS) Program, Surface Transportation Program (STP), and the Congestion Mitigation and Air Quality (CMAQ) Program. However, in practice only very limited amounts of these funds have been used specifically for goods movement projects. TEA-21 contained two new credit programs, the Transportation Infrastructure Finance and Innovation Act (TIFIA) and the Rail Revitalization and Improvement Funding (RRIF) Program. It also provides two related discretionary grant programs called the National Corridor Planning and Development Program (NCPD) and the Coordinated Border Infrastructure (CBI) Program. However, Federal programs often feature restrictive eligibility requirements, rules, and other limitations. For example, funds from the Airport and Airway Trust Fund cannot be used for projects outside of the airport property, such as for airport access improvements for cargo transport. Passenger Facility Charges (PFCs) are similarly restricted. Matching fund requirements are also a hurdle.

Stakeholder Options for Goods Movement Improvements: The stakeholders, both through committee meeting discussions and survey responses, offered the following options for policy makers to consider to improve the flow of goods movement through California's gateways:

The State, RTPAs and other local agencies should take an aggressive role in planning, funding, developing, operating and maintaining critical public portions of the goods movement transportation system. In the proposed 2002 STIP, the Governor has nominated 23 projects totaling over \$225 million to improve goods movement in the State. RTPAs and other local agencies should also financially support needed freight projects with regional and local funds. Super-regional airport authorities, with the ability to plan for more efficient and balanced use of existing and new airport capacity, should be developed to bring about a more integrated system of airports in California. Finally, strategies and performance measures should be developed to ensure the full consideration of goods movement projects in the federal, state and regional transportation planning and programming.

The State should take the lead in securing federal cooperation in meeting California's goods movement needs. During the TEA-21 reauthorization process in 2003, the State should seek a stronger goods movement emphasis and greater funding flexibility in the use of traditional federal transportation funding programs. The State should lobby the federal government to allow the use of Airport and Airway Trust Fund monies and Passenger Facility Charges for ground-access projects beyond airport boundaries. Finally, to compete effectively for goods movement funding, a statewide coalition of Davis Administration,

state legislative representatives, regional, local and private stakeholders should be created, modeled similar to the Washington State's Freight Mobility Strategic Investment Board (FMSIB). The coalition should work closely with California's congressional delegation, the National Freight Partnership, the U.S. Department of Transportation and its FHWA Office of Freight Management and Operations in seeking the necessary policy, program, and funding changes to improve goods movement in California for both state and national mobility, economic and quality-of-life benefits.

The State should actively pursue improving the operating efficiency of the State's major gateways. California should actively pursue the implementation of Intelligent Transportation System (ITS) applications and should also work as a leader, negotiator, broker, and partner to bring about other efficiency improvements. This includes the promotion and facilitation of expanded seaport operating hours and shipper/receiver dock hours to balance the truck traffic flow on congested access routes.

The State should provide greater flexibility in the use of state funds. A portion of the State sales tax on jet fuel could be redirected to air cargo access projects. The Transportation Finance Bank could be capitalized with federal or other funds at a much higher level. Finally, goods movement projects on or off the state highway system could be made eligible to receive below market rate loans for projects that provide significant mobility, economic, community, and environmental benefits.

Source: Global Gateways Development Program, California Business, Transportation and Housing Agency, Department of Transportation, January 2002.

APPENDIX 4

ACRONYMS

AASHTO:	American Association of State Highway and Transportation Officials
BNSF:	The Burlington Northern and Santa Fe Railway Company
CALMITSAC:	The California Marine and Intermodal Transportation System Advisory Council. This is a statewide group that will coordinate the efforts of subgroups within the Northern and Southern California areas. It will also serve as the California representative in a national effort to gain recognition and support for the Marine Transportation System.
CIRIS:	California Inter-Regional Intermodal System, a proposed container shuttle train between Oakland and Stockton.
FIT:	Freight Intermodal Fund. A proposed new funding source for freight projects. U.S. Customs would collect new fees on imported cargo for the purpose of funding port and associated inland goods movement projects/programs.
ICTF:	Intermodal Container Transfer Facility
ILWU:	International Longshore and Warehouse Union
ISTEA:	The Intermodal Surface Transportation Efficiency Act of 1991. ISTEA represented a radical departure from previous federal surface transportation funding programs in that it allowed for unprecedented flexibility at the regional and local levels for making decisions on how to spend federal transportation dollars.
ITS:	Intelligent Transportation Systems
MPO:	Metropolitan Planning Organization. This is the federally-designated regional authority that disburses federal transportation funding in urban areas. The rural counterpart of an MPO is the Regional Transportation Planning Agency (RTPA).
MTC:	The Metropolitan Transportation Commission. This is the MPO for the nine-county San Francisco Bay Area. (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties).
MTS:	Marine Transportation System. Includes ports, channels leading to ports, ancillary facilities to ports and the surface transportation infrastructure (not just locally) that is used to move goods between ports and inland points in the United States.

NCMTS: Northern California Marine Transportation System

NORCAL-MTSAC: Northern California Marine Transportation System Advisory Council. This is the Northern California subgroup of CALMITSAC. It prepared the position paper defining the needs of the NCMTS and recommending how best to address those needs.

SACOG: Sacramento Area Council of Governments. This MPO covers all or part of five counties surrounding Sacramento.

SANDAG: San Diego Associated Governments. This is the MPO for San Diego County.

SCAG: Southern California Association of Governments. This MPO includes the counties of Ventura, Los Angeles, Orange, Riverside, San Bernardino, and Imperial.

SJCOG: The San Joaquin County Council of Governments. It is the MPO/RTPA for San Joaquin County, which contains Stockton.

SCMTS: Southern California Marine Transportation System

SOCAL-MTSAC: Southern California Marine Transportation System Advisory Council. This is the Southern California subgroup of CALMITSAC. It prepared the position paper defining the needs of the SCMTS and recommending how best to address those needs.

SEA-21: The working title of potential legislation dealing with maritime issues.

TEA-21: Transportation Equity Act for the 21st Century

TEA-3: The working title given to the successor legislation to TEA-21. It is currently being drafted and is scheduled to take effect on October 1, 2003. It will likely have a six-year life.

TFC: Transportation Finance Corporation, a federal non-profit corporation proposed by AASHTO to issue tax credit bonds to help fund transportation projects.

UPRR: Union Pacific Railroad

