



CONTAINER PORTS INITIATIVE

BACKGROUND

Almost 100 years ago our state allowed its citizens to create port districts. Since that time, these special districts have used local investments to build strategic facilities all over our state. Our ports' marine terminal and cargo yard investments support critical maritime jobs that heavily contribute to Washington's status as the most trade-dependent state in the America. In short, ports bring economic development – investment and jobs – to our communities.

The ports of Seattle and Tacoma serve as international gateways for the efficient exchange of container imports and exports. These container ports provide a critical foundation for our state's trade economy and produce hundreds of thousands of jobs related to their activities. The Port of Seattle estimates that 166,680 jobs statewide are related to its activities, while the Port of Tacoma estimates that 113,000 jobs are connected to its work. Ports around the State contribute \$500 million in state and local taxes associated with maritime cargo operations.

Recent studies indicate that there will be a substantial growth in container traffic in Washington. Information from the Washington Public Ports Association's (WPPA) 2004 Marine Cargo Forecast indicates that in Seattle and Tacoma, international container traffic increased by an average of 2.7 percent per year between 1990 and 2002, while domestic cargo increased by 1.99 percent per year. Puget Sound containerized trade is projected to grow by an average of 4.0 percent per year from 2002 to 2025. More specifically, the Port of Seattle was the fastest-growing port in the United States in 2004 and 2005, and the Port of Tacoma, with its larger, available land base, believes it can quadruple its current volume of more than 2 million container units. Growth of this speed and magnitude clearly would boost the overall economy of a state in which one out of every three jobs is supported in some way by payrolls and revenues stemming from international trade.

Washington's container ports are well-positioned for this continued growth, but the future of our container port complexes as logistics and distribution hubs able to attract international trade, services and investment will require increased support from state and local governments to be realized. It is important to recognize the potential competition for container traffic on the West Coast. Washington continues to compete with Southern California for additional container traffic and British Columbia, already a competitor, is making the necessary investments to be a primary competitor for container traffic in the future.

According to the 2004 Marine Cargo Forecast, "If we invest in our rail infrastructure, dredge our waterways and maintain our roadways, we can expand Washington's competitive role as an international gateway for trade and reap economic benefits for Washington citizens. If not, the future is ours to lose." The Container Ports Initiative extends a powerful opportunity to implement changes to ensure the success of the state's major trade apparatus and, in doing so, strengthen the state's economy.

TRANSPORTATION INVESTMENT

The paradigm of transportation funding for freight road and rail projects has predominantly been one of separate funding "silos" specific to the location and mode of freight transportation. Ports, as special jurisdiction governments, have been responsible for funding infrastructure improvements, including freightways and terminal access improvements, on port property. The general transportation system, the streets, roads and highways and railroads used

to carry cargo to and from port terminals, historically have been the responsibility of their owners -- local, state and federal governments as well as the major rail companies.

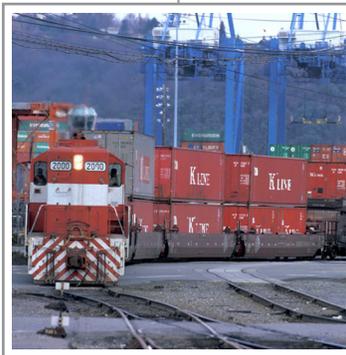
This paradigm has changed. The Freight Mobility Strategic Investment Board (FMSIB) was designed to identify and fund projects to increase efficiency and mitigate freight transport on road and rail. FMSIB was one of the first to enlist a partnership of ports, local, state and federal government and rail funding in a flexible funding scheme for projects “ready to go.” The various partners, particularly ports and railroads, moved outside their respective silos to participate in the funding of projects that were previously the responsibility of state and local governments. This partnership, widely praised within the transportation community, has served as a model in the state and at the federal level. It is our expectation that the partnership model will be even more important in the future.

RAIL

The Washington State Transportation Commission recently completed the *Statewide Rail Capacity and System Needs Study*. In the study, the Commission outlines the constraints on the current freight and passenger rail system and provides recommendations for future investments. According to the report, “If the rail system cannot deliver high-quality transportation services, especially for intermodal cargo that is not destined for Washington State, shippers will quickly shift to other ports. This could result in lower growth at Washington’s ports and a loss of port-related jobs.”

The Commission concludes that pressure on the rail system will only increase in the next decade. The total freight tonnage moved over Washington’s rail system is expected to increase by about 60 percent from 2005-2025. According to the Commission’s report, most rail lines in Washington will operate “at or above their practical capacity.”

In the report, the Commission recommends that Washington State develop a carefully planned program of State investments for rail and they provide a specific policy framework for evaluating State investments.



INITIATIVE: *Increase State’s Mainline Rail Capacity*

The first step towards increasing the State’s mainline rail capacity is the crowning of the Stampede Pass Rail Tunnel. This project was identified as a top priority in the recent rail capacity study produced by the Washington Public Ports Association. This current Burlington Northern Sante Fe (BNSF) line operates at about 60 percent of its practical capacity. However, the line is not able to relieve capacity constraints on other rail lines in the State, because the ceiling of the Stampede Pass tunnel is too low to accommodate double-stack container trains. By stacking containers, the railroad can double the number of containers carried on a train, which improves productivity and reduces unit costs. I have committed \$25 million in my Capital Budget as the State’s contribution to this project. I have also received a commitment

from BNSF that they will contribute the remaining funds and perform the necessary work for crowning the tunnel, such as signalization, snow sheds, tunnel ventilation and track upgrades.

INITIATIVE: *Establish a public-private “Express Freight Rail Action Team” sponsored by my office, port chief executives, and Rail Company CEOs for the purpose of developing a multi-*

year Rail Capacity Action Plan and an investment timeline.

From the perspective of the large container ports, the state’s financial participation in statewide rail capacity projects should be directed to projects that improve the efficient movement of containers and, as far as possible, provide benefits to several constituencies. In general, increasing the capacity of rail main lines benefits ports, shippers, manufacturers and agricultural producers, shortline rail operators and the large, Class I railroads. The Transportation Commission’s Study provides a potential framework for making decisions regarding rail investments. The Commission recommends that the State should base its decisions on “a systematic assessment and comparison of benefits and costs across users and modes.” A strategic approach to rail investment in Washington State is long overdue. I expect the Express Freight Rail Action Team to develop a plan for rail investments in the State that will enable the ports to be competitive for years to come.

“The Container Ports Initiative extends a powerful opportunity to implement changes to ensure the success of the state’s major trade apparatus and, in doing so, strengthen the state’s economy.”

INITIATIVE: *Designate a single entity to coordinate and direct the State’s participation in the preservation and improvement of the rail transportation system.*

DISCUSSION: I have directed WSDOT to strengthen its organizational capacity to respond to rail needs in the State. In particular, they will create a position for a key individual to coordinate and direct activities related to mainline and short line investments and operations in the state, as well as providing a single key contact for ports and local governments. This includes directing and coordinating the planning and implementation of the passenger rail program which utilizes BNSF mainline tracks. The current “Freight Strategy and Policy Division” will become a “Freight Systems Division.” The passenger rail and freight rail offices will merge within the Freight Systems Division and will be led by a director who assumes the leadership role for rail and port relationships, and strategic rail investments. The rail office director will work collaboratively with FMSIB, the Transportation Commission, other state agencies, and freight interest groups to address the state’s rail freight investment priorities in Washington.

INITIATIVE: *Increase coordination with our State’s Federal Delegation, including establishing a multi-state effort for a port-supported program of facility improvements along the Northern Tier between Washington and Chicago.*

DISCUSSION: The ports of Seattle and Tacoma are important to both the economy of the state of Washington and to the national economy as well. One has only to witness the effects of the work stoppage in West Coast ports a few years ago to realize the dramatic impact on the national economy. Estimated losses at the height of the stoppage topped \$1 billion a day.

Ports also are increasingly important to the national security of the United States. Therefore it is in the best interest of Washington and our Puget Sound container ports to engage in a multi-state lobbying

effort with the goal of obtaining federal funding support for the Northern Tier rail corridor. Local and regional governments in Chicago already have formed CREATE, a multi-jurisdictional agency to identify and fund freight mobility projects in the large urban area. Washington state may do well to team with CREATE in a federal lobbying effort aimed at rail investment between Chicago and Puget Sound.

ROADS

INITIATIVE: *Advance key road projects for regional freight mobility and port access.*

DISCUSSION: Although the number of container units transported by rail is expected to increase markedly as overall volumes grow, trucking remains the preferred mode for distributing goods to consumer markets in Washington and nearby states and provinces. Obviously, many trucks ply long-haul freight routes across the entire country. However containers moving more than 500 or 600 miles generally are transported by train, leaving trucks for local and regional distribution.

The container terminals at the ports of Tacoma and Seattle have close proximity to I-5. Compared to the 22 miles or more between terminals and intermodal yards in Los Angeles, Washington’s large container ports have a clear advantage. Containers moving by rail through the Port of Tacoma are handled at on-dock or near-dock rail facilities. The Port of Seattle terminals are served either by on-dock rail or by intermodal facilities that, in most cases, are less than a mile away.

However, truck movements are strongly affected by the same congestion issues that plague general traffic and by local government policies and decisions that can interfere with the smooth and efficient movement of containers between terminals, rail yards and regional market destinations. Disruption of truck drayage, for example, adversely affects the volume and efficiency of the entire port.

Clearly, one of the biggest problems for port-related truck traffic in urban areas is congestion on port access roads and on the highway system. My 2007-2009 Transportation Budget provides \$81.6 million for critical freight projects in the State. Examples of additional or continued funding for high-priority container port projects are provided below.

SR 519: This is the Royal Brougham freight project that the ports, City of Seattle, WSDOT, railroads, sports interests, and business worked on over the summer. My 2007-2009 budget proposal includes \$8.5 million. The total project cost is estimated at \$74.4 million.

Lincoln Avenue Grade Separation: This project at the Port of Tacoma eliminates an at-grade crossing and constructs a roadway over the railroad tracks. My 2007-2009 budget provides \$9.2 million, with a total state contribution of \$10.2 million. The total project cost is over \$42.5 million and we must continue to work with the Federal Delegation to emphasize the need to obtain additional federal funds to complete this project.

Extension of SR 167—between SR 509 and SR 161: This project connects the Port of Tacoma to I-5 and further south to SR 161. My 2007-2009 budget provides \$63.9 million to this project. To complete this project in its entirety will cost between \$1.6 and \$2.2 billion. RTID is expected to pay for over \$1 billion.

I also intend to continue to work toward the success of an RTID package that enables the SR 167 and SR 509 projects to begin construction.

LAND USE

In order to achieve their future potential, our container ports will need the support of local governments as decisions are made related to land use and transportation. Competing visions for the use of our industrial shorelines, conflicts between high-traffic trucking corridors and pedestrian-friendly neighborhood redevelopment, and changes in zoning which push warehouse and distribution centers away from designated harbor areas, have the potential to significantly impair port operations and limit future economic development opportunities.

INITIATIVE: I will convene a container ports and land use work group, with representatives from the state, the ports and the cities, to evaluate the relationship between local government planning and port operations and development. At a minimum, I am asking the work group participants to document the effects of these ports on the local, regional and state economies; consider ways to prevent or mitigate the potential loss of regional jobs resulting from any conversions of industrial lands; and evaluate compatibility of various existing and proposed land uses adjacent to port lands. I am also asking that they consider potential improvements to the economic development chapters of local land use comprehensive plans, as a potential vehicle for identifying and committing to the steps needed to secure our long-term economic goals. The work group's recommendations must be provided to myself, the appropriate legislative committees, the affected port commissions and the affected city councils by July 31, 2008.

CONCLUSION

Maintaining an economically vibrant freight system in Washington will require a sustained commitment by the state. This Container Ports Initiative, therefore, represents the initial steps in what I intend to be an on-going effort. In 2003, the Transportation Research Board issued a report on *Freight Capacity for the 21st Century*. The report outlines the significance of freight movement for the Nation's economy, but also emphasizes the necessity of planning for growth in the future. According to the report, "By 2020, the nation's total output of goods and services probably will increase by 70 percent, highway travel and all domestic freight traffic will increase by about 40 percent and international container traffic will more than double." Decisions today will enable Washington State to effectively accommodate and compete for the projected freight growth in our State and the Nation. Partnerships between the two ports, the railroads and the State will ensure that we meet the challenge outlined in the 2004 Marine Cargo Forecast to "expand Washington's competitive role as an international gateway for trade and reap economic benefits for Washington citizens."