



# Freight Notes

The Newsletter of the Mississippi Valley Freight Coalition



## Freight Partnership III

This special Spring Break edition of Freight Notes was written to give you a short report on the third AASHTO/FHWA Freight Partnership Meeting, which was held on March 10<sup>th</sup> through the 13<sup>th</sup> in Philadelphia. This meeting is held every two years. The third meeting included representatives of twenty-six states, many MPOs, municipalities, and three federal agencies. Panels, discussion groups, round tables and tours formed a varied format for sharing ideas and experiences. While a wide range of topics were covered, the focus was on three broad issues: 1) creating multi-state coalitions, 2) creating and using performance measures, and 3) financing freight. Since we of the Mississippi Valley Freight Coalition have spent time on all of these issues, many of you would have found the meeting to be of interest.

### From the Editor:

This issue of the Freight Notes contains a summary of a recent meeting sponsored by AASHTO and FHWA on freight. The topics were timely and the discussion was good. Unfortunately, budget issues in many states and MPOs kept many folks away. I hope that this summary will be of use to those who could not attend.

Ernie Wittwer

### In This Issue:

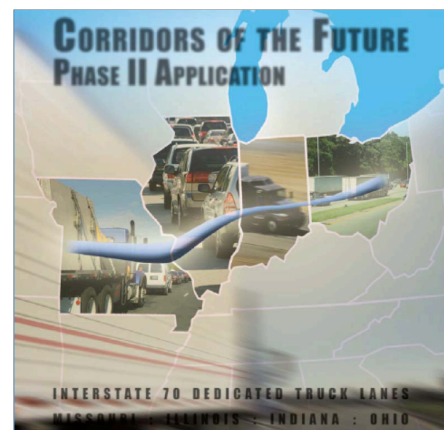
- Multi-state coalitions.....1
- Performance measures.....2
- Financing freight.....3
- A freight village..... 6
- Other news.....8
- Conclusions.....8
- MVFC annual meeting.....9

### Multi-State Coalitions

Freight doesn't recognize civic boundaries, so many states have entered into regional coalitions, but how can those coalitions be organized most effectively? A panel representing Indiana, Missouri and Ohio discussed the I-70 truck lane project as an example of how some of the issues might be approached. Keith Bucklew, of the Indiana Department of Transportation and a member of the MVFC Technical Committee, gave an overview of this Corridors of the Future Project, which is pictured in the graphic.

It involves four states, many Metropolitan Planning Organizations and many municipalities. Coordination is key to the success of the project.

The project, when implemented, will be a major construction effort. The general concept under study calls for separated truck lanes on I-70 all across the four states. An artist's rendering of the design follows.





Keith was joined in discussion of the project by Kathy Harvey, of the Missouri Department of Transportation, and Daniel Haake, of the Columbus Metropolitan Planning Organization (MORPC). So how can an undertaking of this magnitude be organized? To date, the effort has focused on memorandums of understanding and corridor development agreements. Neither is binding beyond the tenure of the current officials in the states, but they have worked because the staff in each state has tried hard to keep new agency heads and elected officials informed of the project, its rationale and its progress. In addition to keeping changing leaders informed, the panel participants urged that MOUs be kept simple and that the focus be on areas of agreement, letting more controversial issues evolve over time.

In the future, their hope is that dedicated funding will become available for the Corridors of the Future Program. Such funding will allow the states to move forward somewhat free of the controversy of allocating resources to the project that might be used for other purposes within each state.

The discussion that followed the panel highlighted some of the barriers to coalition building, including the need to build trust between participants, the need to clearly define goals, and the specific legal requirements of individual states. Other than understanding the constraints and making efforts to overcome them, solutions were more difficult to identify.

## Performance Measurement

Another panel discussed some of the issues dealing with developing and using performance measures related to freight. Bill Gardner of the Minnesota Department of Transportation discussed his state's approach to freight planning and the role that measures plays within that framework. MNDOT has done a state freight transportation plan and is now beginning to develop regional plans. He noted that their goal was to measure things that are important to their customers. Hence they look at the percent of the state GDP dedicated to transportation, the cost of moving Minnesota products to markets, the time required for those movements and the variation in time requirements.

Barbara Ivanov of the Washington Department of Transportation noted that meaningful measures had to consider different types of freight. In Washington three basic categories are considered. The first is "Global Gateways" and deals with the states role as a point of entry for freight from around the Pacific Rim. The following graphic illustrates this category.



In this case measures have to deal with issues related to connections to the Ports.

The next category is "Made in Washington," or the routes to move products from producers in the state to markets in the state and around the world. Here measures must deal with time, costs and reliability. They must also consider the specific issues

faced by specific categories of shippers. For this reason, Washington has been divided into seven geographic regions, each with its own unique economic characteristics.

The fourth category deals with delivering goods, or getting the delivery trucks into urban areas. Again, the measures are largely related to time and access, but the specific measures are very different. Barbara described a research effort that they have underway to use cell phone and other mobile communications devices as a source of information on urban accessibility and speed. This information, which can be purchased from communication companies, can be analyzed to define the time required for movements between urban zones. They have had some success in using this information to better understand the movement of delivery freight inside the Seattle Urban Area.

The final panelist for this topic was Dan Murray of ATRI, which is a research organization affiliated with the Trucking Association. Dan provided information on an ongoing project, sponsored in part by the FHWA, which is also using communication equipment to develop information on the speed and reliability of truck movements. In this case the focus is on major interstate corridors. ATRI has used the information to define freight bottlenecks and parking problem areas. Some states, like Minnesota and Washington, are also beginning to use the information to track speed and reliability.

The process uses thousands of truck locations over a defined period to gauge the speed and the variance in speed of a given corridor.

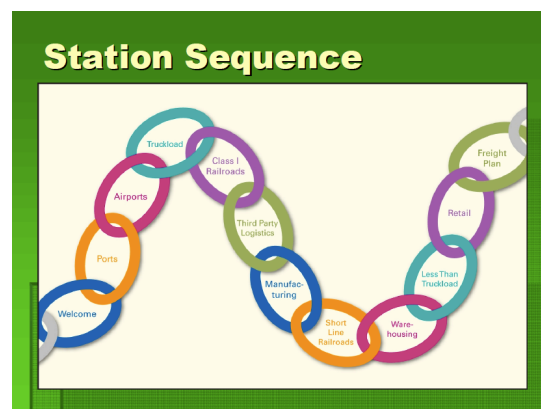
### Financing Freight

Finding money is always a major challenge. A panel made up of representatives of the Pennsylvania Department of Transportation, the I-95 Corridor Coalition, the Delaware Valley Regional

Planning Commission and AASHTO addressed this issue.

Eric Madden, of PennDOT, told of the agency's efforts to fund freight rail projects. While they have ongoing grant programs to help railroads expand investments in track and other capital facilities, they are currently involved in helping two class I railroads improve corridors to accommodate double stacked trains. These projects, which are also supported by some neighboring states, represent very large public investments and were made possible in large part by political intervention to provide the funding as a part of the state capital budget.

Ted Dahlburg, of the DVRPC, outlined how his agency had spent time on an educational effort for decision makers. The graphic below is a rendering of the "supply chain" that they established in their conference room to allow participants to interact with practitioners who represented links in the chain. Commission



staff also worked with specific companies to gain commission approval of MPO-controlled federal funds to supplement private dollars and federal earmarks.

Leo Penne, of AASHTO, gave an overview of the AASHTO positions on reauthorization. Those positions are outlined in the following graphs. The first deals with overall recommended funding by program.

### Proposed Program Funding Levels to Restore Purchasing Power

| Potential Program Name   | 2010           | 2011           | 2012           | 2013           | 2014            | 2015            | TOTAL           |
|--|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Preservation and Renewal   | \$28.00        | \$30.80        | \$33.60        | \$36.40        | \$39.20         | \$42.00         | \$210.00        |
| Highway Freight (Based on Existing Revenues)                                 | \$2.40         | \$2.64         | \$2.88         | \$3.12         | \$3.36          | \$3.60          | \$18.00         |
| Highway Safety Improvement Program   | \$2.60         | \$2.86         | \$3.12         | \$3.38         | \$3.64          | \$3.90          | \$19.50         |
| Operations   | \$2.40         | \$2.64         | \$2.88         | \$3.12         | \$3.36          | \$3.60          | \$18.00         |
| Transportation System Improvement/Congestion Reduction                       | \$11.10        | \$12.21        | \$13.32        | \$14.43        | \$15.54         | \$16.65         | \$83.25         |
| Environment Program  | \$3.50         | \$3.85         | \$4.20         | \$4.55         | \$4.90          | \$5.25          | \$26.25         |
| <b>TOTAL - Highways</b>  | <b>\$50.00</b> | <b>\$55.00</b> | <b>\$60.00</b> | <b>\$65.00</b> | <b>\$70.00</b>  | <b>\$75.00</b>  | <b>\$375.00</b> |
| <b>TOTAL - Transit</b>   | <b>\$12.5</b>  | <b>\$13.7</b>  | <b>\$14.9</b>  | <b>\$16.1</b>  | <b>\$17.3</b>   | <b>\$18.5</b>   | <b>\$93.00</b>  |
| <b>TOTAL - Freight (Based on New Revenues Outside of Highway Trust Fund)</b> | <b>\$5.0</b>   | <b>\$5.8</b>   | <b>\$6.6</b>   | <b>\$7.4</b>   | <b>\$8.2</b>    | <b>\$9.0</b>    | <b>\$42.00</b>  |
| <b>TOTAL - Intercity Passenger Rail</b>                                      | <b>\$5.0</b>   | <b>\$5.3</b>   | <b>\$5.6</b>   | <b>\$5.9</b>   | <b>\$6.2</b>    | <b>\$7.0</b>    | <b>\$35.00</b>  |
| <b>GRAND TOTAL</b>   | <b>\$72.50</b> | <b>\$79.80</b> | <b>\$87.10</b> | <b>\$94.40</b> | <b>\$101.70</b> | <b>\$109.50</b> | <b>\$545.00</b> |

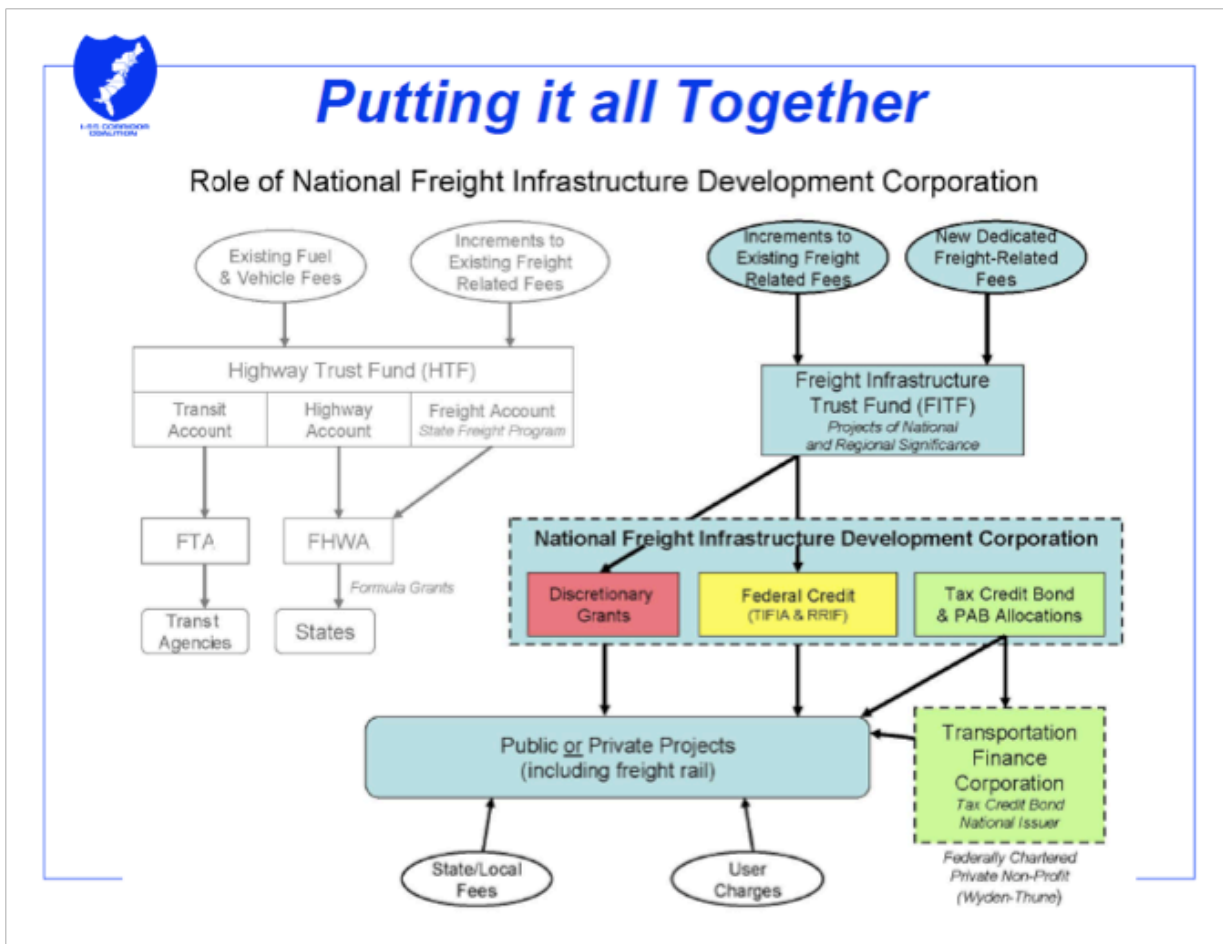
The second deals with a menu of potential revenue sources that would fund the proposed programs. AASHTO recommendations include a total of \$60 billion over six years for freight. \$18 billion would come from traditional highway user fees. The balance, \$42 billion, would come from the new revenue sources listed in the following chart.

### Surface Transportation Funding Options Matrix (all revenue estimates in \$millions)

| Funding Mechanisms  | Mechanism Yield (2010) | Illustrative Rate | Annual Revenues 2010 | Average Annual Revenues 2010-2015 | Total Revenues 2010-2015 |                     |
|---|------------------------|-------------------|----------------------|-----------------------------------|--------------------------|---------------------|
| Annual Highway Miles Traveled Fee (Cars Only)                   | 1¢/VMT =               | \$ 17,298         | 1.0¢                 | \$ 17,298                         | \$ 17,616                | \$ 105,696          |
| Annual Highway Miles Traveled Fee (All light duty vehicles)     | 1¢/VMT =               | \$ 27,610         | 1.0¢                 | \$ 27,610                         | \$ 28,682                | \$ 172,094          |
| Annual Highway User Vehicle Fee                                 | \$1.00 Fee =           | \$ 263            | \$1.00               | \$ 263                            | \$ 275                   | \$ 1,652            |
| Carbon Tax or Cap And Trade Auction Proceeds                    | 1¢/gal or equiv =      | \$ 553            | 30.0¢                | \$ 16,594                         | \$ 17,250                | \$ 103,501          |
| Container Tax   | \$1 per TEU =          | \$ 57             | \$20.00              | \$ 1,137                          | \$ 1,336                 | \$ 8,013            |
| Diesel Tax Increase Plus Indexing                               | 1¢/gal =               | \$ 411            | 13.0¢                | \$ 5,337                          | \$ 5,976                 | \$ 35,856           |
| Existing Highway Trust Fund Sources                             |                        |                   |                      | \$ 40,566                         | \$ 42,569                | \$ 255,413          |
| Gas Tax Increase Plus Indexing                                  | 1¢/gal =               | \$ 1,380          | 10.0¢                | \$ 13,796                         | \$ 15,082                | \$ 90,489           |
| General Fund Support for Intercity Passenger Rail               |                        |                   |                      | \$ 3,000                          | \$ 3,000                 | \$ 18,000           |
| General Fund Transfers for Transit                              |                        |                   |                      | \$ 3,167                          | \$ 3,167                 | \$ 19,000           |
| Index Existing Highway Trust Fund Sources Beginning in 2010     |                        |                   |                      | \$ 791                            | \$ 3,032                 | \$ 18,192           |
| Index Heavy Vehicle Use Tax Retroactively to 1997               |                        |                   |                      | \$ 411                            | \$ 536                   | \$ 3,217            |
| Interest on Highway Trust Fund Balances                         |                        |                   |                      | \$ 200                            | \$ 200                   | \$ 1,200            |
| Motor Fuel Tax Exemption Reimbursement (Retroactive and Future) |                        |                   |                      | \$ 1,057                          | \$ 1,099                 | \$ 6,593            |
| Sales Tax on Motor Fuels  | 1.0% of Sales =        | \$ 6,136          | 2.5%                 | \$ 15,340                         | \$ 15,658                | \$ 93,949           |
| Share of US Customs Revenues                                    | 1% of Receipts =       | \$ 314            | 5.0%                 | \$ 1,570                          | \$ 1,817                 | \$ 10,904           |
| Tax Credit Bonds for Highways and Transit                       |                        |                   |                      | \$ 8,333                          | \$ 8,333                 | \$ 50,000           |
| Tax Credit Bonds for Intercity Passenger Rail                   |                        |                   |                      | \$ 4,167                          | \$ 4,167                 | \$ 25,000           |
| Ton Freight Charge -- All Modes                                 | 1¢/ton =               | \$ 162            | 10.0¢                | \$ 1,617                          | \$ 1,801                 | \$ 10,804           |
| Ton Freight Charge -- Truck Only                                | 1¢/ton =               | \$ 111            | 10.0¢                | \$ 1,115                          | \$ 1,242                 | \$ 7,452            |
| Ton-Mile Freight Charge -- All Modes                            | 1¢/ton-mile =          | \$ 42,763         | 0.1¢                 | \$ 4,276                          | \$ 4,763                 | \$ 28,579           |
| Ton-Mile Freight Charge -- Truck Only                           | 1¢/ton-mile =          | \$ 12,516         | 0.1¢                 | \$ 1,252                          | \$ 1,394                 | \$ 8,365            |
| US Freight Bill -- All Modes                                    | 1% of Sales =          | \$ 7,708          | 1.0%                 | \$ 7,708                          | \$ 8,585                 | \$ 51,513           |
| US Freight Bill -- Truck Only                                   | 1% of Sales =          | \$ 6,497          | 1.0%                 | \$ 6,497                          | \$ 7,237                 | \$ 43,420           |
| Vehicle Sales Tax on New Passenger Cars/Light-duty Trucks       | 1% of Sales =          | \$ 4,853          | 2.0%                 | \$ 9,707                          | \$ 10,812                | \$ 64,870           |
| Vehicle Sales Tax on New/Used Passenger Cars/Light-duty Trucks  | 1% of Sales =          | \$ 9,012          | 2.0%                 | \$ 18,024                         | \$ 20,077                | \$ 120,461          |
| <b>Total Revenues</b>   |                        |                   |                      | <b>\$ 210,831</b>                 | <b>\$ 225,705</b>        | <b>\$ 1,354,232</b> |

The Director of the I-95 Coalition, George Schoener, gave some creative recommendations. The key of these is the creation of a National Freight Infrastructure Development Corporation (NFIDC). This corporation would bring together the discretionary programs recommended by AASHTO with the existing three debt tools. It would also use a transportation finance corporation, identical in concept to the recommendation made in the past by AASHTO, to issue debt to supplement freight investment.

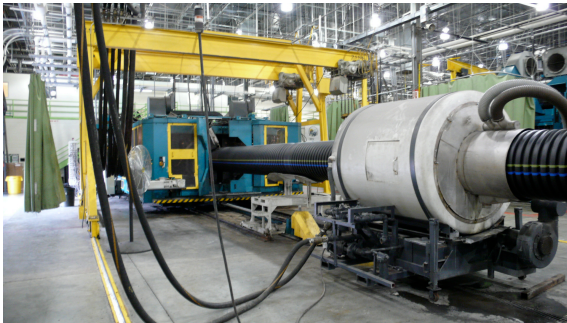
The NFIDC would receive applications for projects of national significance and develop funding packages, grants, loans, or some combination, to facilitate those projects. The following graphic illustrates how this new entity would mesh with the AASHTO recommendations. The gray portions of the chart are the apportioned programs, that are the parts of the AASHTO recommendations that would be allocated to states. The colorful parts of the chart are those elements that would be dedicated to projects of national significance, plus all debt and public/private partnership elements.



## A Freight Village

One of the nice things associated with many freight conferences is the opportunity to tour freight facilities. My choice in Philadelphia was a tour of a freight village. The village was the Pureland Industrial Park, which is just across the river in New Jersey. Why is this a freight village, rather than just another industrial park? I had to ask that question of our tour guide. In response, he pointed to the range of transportation services provided in the park and the effort made to make that transportation more efficient.

The park was designed from the beginning to be served by a shortline railroad. That railroad is now the SMS Railroad. It has been built on providing a high level of rail service to the tenants of the park. Warehouses can move their product by rail. A manufacturer of plastic pipe, the heavy kind



that is used in highway construction, gets plastic pellets by rail. The picture at left is inside the pipe plant, showing a machine that extrudes the pipe.

Even a wholesaler of produce now gets product from the West Coast in boxcars.

One of the biggest users of rail is an ethanol distributor. Unit trains of 65 tank cars bring ethanol from Iowa in three days. Tank trucks can be loaded in eighteen minutes. Those tankers deliver the ethanol to refineries in the greater Philadelphia area where it is mixed with gasoline to make gasohol. The photo at left shows a tanker being loaded from a rail car.



Transportation efficiency is enhanced by an effort to find backhauls within the park for truckers who make deliveries to the site.

The concept must work. Even in this time of economic downturn, construction continues at the park and tenants are found for building designed and built before leases were signed. The photo at left shows the only unleased portion of a large warehouse complex that was built without tenants in place. The balance of the facility was leased before it was finished.



Part of this continued growth might be attributed to transportation: good rail service, a short haul to the Philadelphia airport and seaport, and proximity to major interstate routes. In part, it also must be attributed to location. It is within a day's drive of 40 million people and a huge slice of the national

economy.

## Other News

News on a range of other topics was also made available at the conference.

- AASHTO will be releasing its freight bottom-line report in four parts over the next several months. It will deal with all freight modes. Watch the AASHTO website for individual releases.

- The I-95 Corridor Coalition has successfully held its first Freight Academy at Rutgers University. The academy is a weeklong experience that brings public sector people in contact with the freight industry on the industry's home ground. They want to partner with other groups across the country to make the experience available to a wider audience. Marygrace Parker, of the Coalition, will take part in the Mississippi Valley Annual Meeting to discuss the idea.
- FHWA announced that it will use its contacts to arrange exchanges between the public sector and private industry to facilitate learning for the public sector employee. To date, the exchanges have been about a month long. Contact the Freight Office, if you would like to pursue this option.
- FHWA also announced that it will make support available to public employees who want to take courses from various universities on logistics. Tony Furst, Director of the Freight Office, noted that several universities have excellent courses on logistics. FHWA will provide up to 50% of the tuition costs. Contact the Freight Office to get information on how to apply.

## Conclusions

The best thing about going to conferences is discovering that most other people involved in the same business are struggling with many of the same issues. The other good thing is finding ideas that make you think or ideas that you can steal.

In Philadelphia it was clear that everyone is struggling with how to do regional coalitions, performance measures and freight finance. No one has found the silver bullet that will solve any of these critical problems, but we did get some ideas to ponder and some to steal:

First of all, the discussion of the I-70 project made it clear that a regional coalition can be made to work with the tools available if the participants give attention to clear communications, and expectations and if they keep new bosses in the loop. The alternative, which really wasn't discussed, is a full-blown interstate compact. This is a fairly complicated undertaking. It would also probably be very politically controversial. Therefore, making do with the less formal process makes some sense, but it requires dedication, trust, and attention to detail

Second, the discussion of performance measures left us with several good ideas. Measuring what's important to our customers was Bill Gardner's advice. While that seems obvious, it is also fairly profound. How many agencies have spent time trying to formulate measures that meant something to the agency or that fit with the available data? Barbara Ivanov's suggestion that measures have to be done within the context of three types of freight movement, gateways, produced in the state, and delivery to you, also made much sense. If we forget those basic differences in freight movements, we are likely to structure measures that fit only part of the picture. Dan Murray offered us hope that technology and analytic tools might help to solve some of the major challenges in finding meaningful information on the basic measures of freight performance.

Third, the discussion of financing reminded me that we live in political organizations, organizations that will make political decisions. Therefore, while we might lament the problems of earmarks and other political interventions in the decision processes of our programs, political processes and decision makers ultimately provide funding. Professional people using professional tools can guide and influence that process, but we will not replace it.

Finally, the folks of the SMS Railroad, the line that serves the freight village of my tour, demonstrated that good service can make a rail company successful and can help to support a large business enterprise.

## MVFC Annual Meeting

Please remember that the annual meeting of the MVFC is coming up very soon in Kansas City. It will be held from April 14<sup>th</sup> through the 16<sup>th</sup>. We welcome the participation of state transportation, MPO, local government and private sector personnel.

The agenda for the meeting includes presentations or panel participation from a wide range of people:

- Deb Miller, Secretary, Kansas Department of Transportation
- Paul Nowicki, Vice-President, BNSF
- Chris Gutierrez, President, KC Smartport
- Leo Penne, Program Director, AASHTO
- Ron Seeber, Vice President, Kansas Grain and Feed Association
- Marygrace Parker, Program Coordinator, I-95 Corridor Coalition
- Paul Rhode, Vice President, Waterways Council
- Mac McMichaels, Alliance Shippers
- Shellee Currier, WATCO Companies
- Bob Goodwin, MARAD

For more information, visit the MVFC website: <http://www.mississippivalleyfreight.org/>. I hope to see you in Kansas City.

The Mississippi Valley Freight Coalition and the Center for Freight and Infrastructure Research and Education

CFIRE Director, Teresa Adams  
[adams@engr.wisc.edu](mailto:adams@engr.wisc.edu) or  
608-263-3175

Deputy Director, Jason Bittner  
[bittner@engr.wisc.edu](mailto:bittner@engr.wisc.edu) or  
608-262-7246

Research Manager, Greg Waidley  
[gwaidley@engr.wisc.edu](mailto:gwaidley@engr.wisc.edu) or  
608-262-2013

Coalition Facilitator and Editor,  
Ernie Wittwer  
[wittwer@.wisc.edu](mailto:wittwer@.wisc.edu) or  
608-890-2310

Researcher, Bob Gollnik  
[gollnik@engr.wisc.edu](mailto:gollnik@engr.wisc.edu) or  
608-262-6639  
[www.mississippivalleyfreight.org](http://www.mississippivalleyfreight.org)  
[cfire.wistrans.org](http://cfire.wistrans.org)

Mailing Address:  
2205 Engineering Hall  
1415 Engineering Drive  
Madison, WI 53706-1691