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Secretary Sunne McPeak
Business, Transportation & Housing Agency
980 Ninth Street, Suite 2450
Sacramento, CA 95814-3520

Secretary Alan C. Lloyd
California Environmental Protection Agency
1001 I Street
Sacramento, CA 95812-2815

Dear Secretary McPeak and Secretary Lloyd:

On behalf of the Metropolitan Transportation Commission, I would like to first thank you for the opportunity to represent MTC on the Integrating Working Group. Defining a statewide role for Goods Movement is an extremely difficult task given the scale of the need, and the myriad technical, financial, environmental and community concerns that must be addressed. Your continued leadership is valued, and I look forward to working with you in 2006 on the balance of the project.

At this time, I would like to offer the following general comments with respect to the Phase 2 draft "Framework for Action". Overall, we believe the framework has come a long way from the initial draft, and has been responsive to several concerns raised by Bay Area interests as noted. Other recommendations offered reiterate prior submitted comments, as well as some additional thoughts emerging from a review of the December Phase 2 progress report.

1. **To the extent that a project specific "priority" list is a central outcome of this effort and centerpiece of recommendations going to the Governor in January 2006, such a list should be directly tied to delivering corridor or system-level improvements for moving freight and reducing public health impacts. In our region, such improvements should be concentrated on the Interstate 80/880/580, US 101 (Peninsula) and Southern Gateway corridors.**

As you know, the Bay Area conducted a comprehensive Goods Movement Study completed December 2004. We have some residual concerns that Phase 1 of the GMAP—the comprehensive "inventory" of need—did not adequately reflect the scope of needs identified in our regional study—particularly the Bay Area project list included in Phase 1. Therefore, we are submitting again our study summary and related technical paper regarding infrastructure improvements (enclosures), with the request that should Phase 1 be refined, the fuller Bay Area inventory of freight related improvement needs would be included.

That said, we recognize the need for the State to winnow down from the multi-billion dollar inventory of Phase 1 to a viable implementation strategy of targeted investments as part of Phase 2. In undertaking that task, we urge the following factors be applied:

- There must be a demonstrable commitment in regional transportation plans for delivering those projects, including some realistic path for funding them.
- Sponsors of those projects included on the list should make a compelling case for those corridor/system level benefits.
- Recognition should be made that if the benefits of any single project hinges on the successful implementation of interrelated projects within the corridor or system (i.e. expansion of port side capacity is compromised if increased access to/from the port is not also provided), a plan to deliver those key interrelated elements must be pursued.

- **Recommendation:** We appreciate the fact that the GMAP Phase 2 "Detailed Infrastructure Project List" in Attachment D of the Phase 2 progress report has been modified to include a key additional Bay Area project on I-880, and that the balance of the Bay Area "short list" submitted to you previously (Attachment A) has been included as "additional projects for consideration." We continue to believe that our projects stand up well to the suggested factors stated above, and that further iterations of the GMAP may integrate future additions of that Bay Area short list as high priority state investments.

  Recommendation: The finance group and infrastructure group should develop a joint recommendation for an iterative process that allows the State "short list" of priority projects in Attachment D of the Phase 2 progress report to be periodically re-evaluated, refined and revised as proposed financing strategies to deliver those projects are tested, and put into place. It is incumbent upon the State to ensure that the limited resources available for freight be invested in projects and programs that can be delivered, and to that extent the GMAP should be designed as a "living" document that responds to opportunities and constraints as they become known.

2. **The GMAP must provide the capacity for balanced investment opportunities, both modally, and functionally.**

- ***Modally***, in the Bay Area, 80% of goods movement travel is by truck; similar shares are characteristic through the state. To date, discussion of options have been heavily biased to projects enhancing ship and rail movements. While off-loading some truck traffic onto rail is a desirable policy objective, the State's plan must recognize that a significant share of goods continue to be moved by truck, and investments to make truck movement faster, cleaner and safer should have a prominent role.

- ***Functionally***, a huge benefit can be realized through better utilizing our existing freight infrastructure. Investment in improving the operations and productivity of ship, rail, truck and the intermodal connections between them should be pursued as a first priority of the GMAP, and we were gratified to see that operational improvements are highlighted as key elements of immediate and short-term actions that the state should pursue. As well, the chapter on Innovoative Technologies shines a spotlight on the potential for these types of improvements. However, this commitment must extend to the application of sufficient existing and new financial resources to operational strategies, which is less clearly spelled out in the progress report.
  - **Recommendation:** Criteria for prioritizing the existing State Highway Operations and Protection Program (SHOPP) should be restructured to: a) put more emphasis on operating investments generally; and b) consider a specific investment share target for freight related projects. Likewise, the State Transportation Improvement Program (STIP) should incorporate a distinct funding target for freight out of the Interregional Transportation Improvement Program (TIP) element. Lastly, the Administration should support more program flexibility with Air District DMV surcharge and Carl Moyer Program funds to support cleaner engine technologies and operational improvements that reduce exposure to diesel particulate matter.
  - **Recommendation:** As SB 1024 is the most recent proposal for directing additional, state-generated resources to freight, the GMAP should recommend that the bill be sufficiently flexible to permit investment across modes; and to specifically advance operational improvements. This recommendation would extend to any infrastructure bond initiative proposed by the Administration during the 2006 legislative session.

3. **The GMAP should acknowledge current, inadequate state funding, and commit to pursuing new revenues.**

- New revenues for funding may come from federal, state, local or private sources; however, the state should clearly contribute its share with concrete proposals for sources of new and increased real funding.
- Private sector contributions will be vital, but must address the range of options that best match the investments pursued. The nexus concept of "Private fee for Private Benefit" is essential to successful user fee strategies, and would, among other things, determine that container fees will not be applicable to all freight and related public health investments.

Recommendation: The current Funding Chapter of the Phase 2 report provides a fairly comprehensive inventory of what current and future financial options are available for freight investment. However, it stops of short of providing an evaluation of how well these options match to the range of identified goods movement projects and programs; nor does it provide an assessment of the actual capacity that any of those sources may have with respect to funding freight improvements in the near or long-term. We believe that level of assessment is essential, and can be achieved without having to construct a detailed project by project financial plan. Attachment B outlines some initial thoughts in this regard, drawn from information we prepared for testimony to the Senate Transportation Sub-Committee on California Ports and Goods Movement on November 15, 2005.

4. **Emphasize the importance of considering land-use decision on goods movement activities**

We appreciate very much the inclusion of land use as a chapter in the Phase 2 progress report. However, the report's discussion is fairly broad. We believe it could be strengthened by the addition of specific recommendations regarding actions currently in play: namely, the opportunity to "incentivize" local land use development, particularly in the urban core. As significant conflicts between freight and housing—particularly in low income areas—is experienced in areas around major ports and related freight distribution facilities, any state initiatives encouraging the provision of housing infill should explicitly acknowledge and reward local land use decisions that a) provide "buffer" zones around freight facilities; and/or b) preserve freight related industrial land uses as part of a comprehensive infill development plan that includes not only housing provision, but economic preservation of our goods movement industries. There should be specific outreach to local government elected officials and planning staffs to explore this issue in more depth, including identification of best practices in this area. We urge your offices to encourage this coordination of land use incentive policies in your work with the Legislature.

Recommendation: Develop a goods movement-supportive land used incentives program. This incentives program should be tied into SB 1024 discussions and included in the final "short-list" of projects.

Thank you for the opportunity to comment, and to work with you in the ensuing work on the GMAP, particularly any parallel initiatives being framed by the Legislature. Should you have any questions regarding this letter please contact me (510/817-5830), or Doug Kimsey, MTC's Director of Planning (510/817-5790).

Sincerely,

Therese W. McMillan

Therese W. McMillan
Deputy Executive Director, Policy

Cc: Senator Alan Lowenthal
Senator Tom Torlakson
Barry Sedlik- BT&H
Cindy Tuck- CalEPA
Jack Broadbent, BAAQMD
Richard Nordahl, Caltrans
Bruce Kern, EDAB
Jim Wunderman, Bay Area Council
Jerry Bridges, Port of Oakland

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Attachment A: Initial Draft List
Bay Area High Priority Goods Movement Projects for
State Highway/SAFETEA-LU Near-term Funding

Corridor: Port Access Improvements

Sponsor	RTP ID	Project	Total Cost (millions)	Funds Programmed (millions)	Comments
Port of Oakland	22760	Outer Harbor intermodal terminal (formerly known as Joint Intermodal Terminal (JIT) expansion)	$87.5	$12.5	
Port of Oakland		Rail Access improvements to the JIT	$12.0		
Port of Oakland	22082	Reconstruct 7th Street/Union Pacific Railroad grade separation	$68.8	$18.8	
Port of Oakland		UP mainline upgrade between Oakland/Richmond/Martinez	$100.0		$6 for drill track
		Total	$268.3	$31.3	

Corridor: I-880

Sponsor	RTP ID	Project	Total Cost (millions)	Funds Programmed (millions)	Status
Bay Area World Trade Center/Port of Oakland		Corridor ITS/Smart Corridor linkage	$15.0	$15.0	BAWTC/Nextel working to implement wireless info. system at Port of Oak
ACCMA	22761	I-880 from Hegenberger Road to I-980 operation improvements (includes freight movement to Port of Oakland)Operational Improvements: Hegenberger Road to I-980	$20.0	$0.0	
ACCMA	22769	I-880/29th Avenue interchange safety and access improvements	$15.0	$10.0	
ACCMA	21107	I-880/High Street interchange improvements	$16.0	$4.9	
ACCMA	98207	I-880/Broadway-Jackson interchange improvements (Phase 1)	$28.0	$10.8	
ACCMA	22764	Construct auxiliary lane on I-880 between Hegenberger Road and 66th Avenue and shift merge point of the westbound Hegenberger Road to I-880 on-ramp	$5.0	$0.0	
		Total	$99.0	$40.7	

Corridor: I-580/238

Sponsor	RTP ID	Project	Total Cost (millions)	Funds Programmed (millions)	Status
ACCMA	21455	Widen I-238 between I-580 and I-880 from 4 lanes to 6 lanes, includes auxiliary lanes on I-880 south of I-238	$108.0	$0.0	
ACCMA	22013	Westbound I-580 HOV lane including auxiliary lanes	$100.0	TBD	Received $6M federal earmark - to be part of Res. 3434 revision
ACCMA	22013	I-580/I-680 Interchange	$200.0		
ACCMA	22013	Eastbound truck climbing lane at Altamont	$65.0		
ACCMA	22092	TMS/TOS/Ramp Metering	$37.0	$0.0	
Port of Oakland	22090	CIRIS	$12.0	$0.0	
ACCMA	22088	I238/580 truck bypass lane	$15.0	$0.0	
		Total	$537.0	$0.0	

Corridor: I-80

Sponsor	RTP ID	Project	Total Cost (millions)	Funds Programmed (millions)	Status
STA	94150	I-80/I-680/Route 12 interchange improvements (Phase 1); includes 2-lane connectors between I-80 and I-680 and a fifth lane in each direction on I-80 between I-680 and Route 12	$18.6	$18.6	
STA	21807	I-80/I-680/Route 12 interchange improvements (Phase 2); includes widen I-80 from Route 12 to Air Base Parkway for HOV lanes (includes a braided ramp from I-680 to Suisun Valley Road and improvements to Red Top Road)	$139.5	$60.0	Receive $18M federal earmarks
STA	22701	I-80/I-680/Route 12 interchange improvements (Phase 3 partial); includes relocation/reconstruction of Cordelia truck scales, ramp improvements and auxiliary lanes (as identified in I-80/I-680/I-780 Corridor Study)	$100.0	$50.0	
			$258.1	$128.6	

Corridor: US 101 (Peninsula)

Sponsor	RTP ID	Project	Total Cost (millions)	Funds Programmed (millions)	Status
CCAG	Varies	Corridor Interchange/auxiliary lane Improvements	$484.0	Approx half	$3 M federal earmark
VTA	Varies	Corridor Interchange/auxiliary lane Improvements	$84.0		
		Total	$568.0	$0.0	

Corridor: Southern Gateway

Sponsor	RTP ID	Project	Total Cost (millions)	Funds Programmed (millions)	Status
VTA	21715	SR 152/156 intersection improvement	$27.3	$27.3	Received $11.8K federal earmark
VTA	21717	Widen Route 25 from US 101 to Route 156 from 2 lanes to 6 lanes (includes new interchange at Route 156)	$10.0	$0.0	
VTA	22832	Widen Route 152 from 2 lanes to 4 lanes from Miller Slough to Holsclaw Road (including widen existing structures over Llagas Creek and old Llagas Creek and new traffic signal at Gilroy Foods/WTI Trucking entrance)	$10.0	$0.0	
		Total	$47.3	$27.3	
		Grand Total	$1,777.6	$227.8	

ATTACHMENT B
Funding Capacity for Freight:
An Assessment of Traditional Sources, and the Need for New Partnerships

1. **Inventory vs. Prioritized Needs**

The State has recently completed a Final Goods Movement Action Plan-Phase 1 with the following key findings regarding Freight Needs:
- $43 Billion in overall needs, plus an additional $4 billion "underway"; this number likely to be higher as sponsors re-evaluate initial screens
- $2 to 4 Billion air quality mitigation needs
- A yet to be determined amount of community related mitigation and security costs
- A total of $ 52 Billion minimum (not counting mitigation and security requirements)

While the Action Plan's inventory is an essential first step, there must be a companion basis for setting priorities among those needs.
- As demonstrated below, federal and state funding cannot be expected to underwrite the majority of California's freight related infrastructure needs.
- However, the ability to make our best case for some of these "traditional" funds—most of which will be discretionary/competitive in nature -- requires a clear statement of statewide priorities and expected outcomes.

2. **Funding:**

A. Federal:

Despite SAFETEA-LU related provisions, federal contributions to freight do and likely will continue to fall far short compared to scale of needs nationwide
- Borders Program: $833 million.
  * California share to be determined (funding focus on San Diego area)
- National Corridors: $1.948 Billion (all earmarked)
  * $660 million to California (or 33.9%). However, only one of these projects (I-80 Sacramento/Placer capacity improvements at $50 million) is directly referenced as a freight improvement in the draft Goods Movement action, representing just 7.5% of California's share.
- Projects of Regional & National Significance: $1.779 Billion (all earmarked)
  * California share $310 million (17.4%). Of that, $280 million or 90% was directly related to freight ($280 million for Alameda Corridor east, Inland Empire Gateway, and Gerald Desmond bridge)
- Truck Parking: $25 million
  * California share TBD (will likely fund projects outside urbanized areas)
- Rail Line Relocation: $ 1.4 billion—But requires an appropriation. Concentrates on security related needs.
  * California share TBD
- Highway Demonstrations: this grab bag of projects totaled $14.8 Billion for the nation, with California pulling in $1.16 billion of that amount, or 7.8%. A great majority of this amount is small amounts of funding for a large number of projects, though a few are of significant size (e.g. over $5 million). The total amount that could be defined as freight related has not yet been fully assessed; however, some major contributions include

additional funding for Alameda Corridor at $21 million, with another $30 million coming from another $2.5 billion earmark grab bag titled "Transportation Improvements". Some counties, such as San Diego, were notable in their capacity to "package" several earmarks for various elements of a large freight related investment, e.g. the $17 million total in highway demonstration funds for elements of the Otay Mesa Port of entry.

Conclusion: "In the bag" freight funding out of SAFETEA-LU identified above equals about $400 million—1% of non-security related needs in the draft Goods Movement Action Plan. Even assuming a 25% take of the Borders, Truck parking and Rail line relocation programs—which is probably greatly optimistic at $564 million total—the overall potential federal pull from SAFETEA-LU for California freight totals equals only $964 million-- just under 2% of overall need identified in draft Goods Movement Action Plan.

Other federal options—contributions from Surface Transportation Program (STP), and Congestion Mitigation and Air Quality (CMAQ- whose eligibility was expanded under SAFETEA-LU to allow some specific freight improvement investment, but still continues to be limited overall), or the State Transportation Improvement Program (STIP), which houses other major core federal highway programming - Interstate Maintenance (IM), National Highway System (NHS) and Highway Bridge Replacement and Rehabilitation (HBRR). The new Highway Safety program also presents some investment opportunities.
-- However, the magnitude of other transportation needs makes significant contributions to freight projects doubtful—these funds most certainly will not the major source of funding for freight. The greatest opportunity is likely tied to the investment of these funds for capacity and/or operational improvements that enhance major corridors carrying significant levels of both passenger and freight traffic.

B. State:
The state picture does not look much better, certainly within the parallel time frame of SAFETEA-LU. Current State Highway Account Fund Estimates show little to no new capacity in the 2006 State Transportation Improvement Program (STIP); we understand that Interregional Transportation Improvement Program (ITIP) discussions between the regions and Caltrans are being conducted with an eye to the 2008 and 2010 STIPs—in effect, programming opportunities in FYs 2011, 2012, 2013, 2014.

Options: Without serious considerations of gas tax increases or other dedicated source of additional funding to transportation, meaningful state contributions to freight out of the existing STIP process appear extremely limited; absent the type of "dual purpose" highway capacity projects described above, which would have to emerge as regional priorities via the Regional Transportation Improvement Program (RTIP). A conscious priority to fund freight specific projects out of the ITIP would be a start, as by their very nature they have impacts beyond the borders of any particular county. However, this would be a significant policy decision with significant political ramifications.

Besides the STIP, the other potential source of funding of note is Senate Bill 1024, the

$10 to 12 billion general obligation bond proposal slated for November 2006 (should it pass the legislature in the upcoming session.) The current bill version sets aside $2.5 billion for freight and freight related mitigations, including security. This would represent 4.8% of the total needs so far identified in the State plan. Several issues are yet to be resolved, including how this funding would be prioritized and assigned—e.g. statewide competition vs. geographic targets. Other infrastructure bond proposals from the Administration are expected to be deliberated as part of the 2006 legislative session in parallel to or in concert with SB 1024.

C. Local:
In the State of California, an increasingly large portion of funding for new transportation infrastructure is not coming from state or federal sources at all, but from locally generated, county based ½ cent sales taxes. In the Bay Area alone, transportation sales tax revenues outstrip STIP contributions on an annual basis for every county that has them in place. However, these funds must go to a vote and clear a two-thirds majority threshold. Consequently, these funds have historically not gone to freight specific improvements, as these projects are not as visible to or appreciated by the public, and are therefore not as likely to be included in the expenditure plan lists on the ballot. On the upside, these funds are often a key source of complementary funding to the RTIP and ITIP for important local freeway improvements of benefit to freight.
• Whether a shift in this trend is possible will rest largely on whether public sentiment for increased taxes can be directed to investments that are not perceived to directly benefit personal trips, but rather general congestion relief. Many freight expansion projects in particular have the additional challenge of overcoming perceptions of increased impacts to adjoining neighborhoods—accommodating more trucks and more trains is often associated with more noise, increased safety issues, increased air pollution.

3. **A Need for New Funding Partnerships**
• The patterns of "traditional" funding sources outlined above suggest that the current paradigm is incapable of addressing existing freight infrastructure needs, let alone the additional impacts increasing trade with Asia will impose on the system.
• Even within these traditional sources, the preponderance of earmarking for funding sources directly or substantially related to freight needs will limit the ability of states and regions to devise a long-range funding strategy for its most critical projects. There should be an increased link between priority needs, based on some clear and comprehensive set of factors, and the timing and level of funding that will be assigned to those needs. While earmarking is not likely to vanish from the transportation funding arena, it should be a complement to a steady and more reliable source of revenue for major freight investment, not its lifeblood source.
• With respect to state or federal sources, a dedicated new source of funding must be considered. One option that has been discussed would be a "recapture" of customs fees that are now going to non-freight/non-transportation sources. A concern with the impact of this diversion away from the Treasury and general fund purposes in a time of federal deficits makes this a politically daunting strategy, at least for the immediate future. The "no new taxes" strategy of the current administration, evidenced by the failure to gain any new gas tax or other revenue increases to transportation as part of SAFETEA-LU

would not suggest any short-term gains in this area.

• Whether the State of California will be willing to address new gas tax revenue is also a question. At a minimum, until the current Prop. 42 funding structure involving a recapture of sales tax on gasoline for transportation funding is considered fixed, there's likely to be no motivation for further revenue increases beyond borrowing mechanisms such as the SB 1024 bond strategy.

• The strain on local governments to deal with local streets and roads, local transit, and geographic specific bottlenecks affecting delay within jurisdictions would not, at least initially, lead one to believe that major freight initiatives having multi-jurisdictional—i.e. regional or statewide impacts/benefits—will ever compete well for a significant share of locally based sales taxes, especially under the two-thirds vote requirement. Perhaps concentrated education campaigns targeted to the public and local officials could shift that outcome somewhat, but these local initiatives are unlikely to emerge as a major source of freight related funding.

• What remains as a promising alternative is a new funding partnership with the private sector. The very nature of freight movement in the country is defined by significant private sector participation in the ownership and operation of freight infrastructure, true for the rail, trucking, maritime and aviation sectors. Much like the ½ cent sales tax counties resorted to a "self-help" approach as traditional federal and state transportation funding sources fell far behind the curve of needs, the participation of the private sector in a conscious and planned investment strategy for freight infrastructure should be seriously considered.

• To be considered equitable, however, any financial contributions coming from the private sector would need to be clearly (almost exclusively) linked to private sector benefits (or the inverse, mitigations for impacts assigned to the private sector). This "private fee for private benefit" theme is more or less easily achieved, depending on the nature and administration of the fee. A tolled truck only lane where the capacity is exclusively reserved for trucks is a possible example of a clear link. Container fees for on-port improvements is another example; e.g. the PierPASS program at the Ports of LA/LB, where a traffic mitigation fee is levied on containers entering/exiting marine terminals during congested peak hours, and the revenue is used to offset operating costs of off-peak marine terminal operations). The nexus gets more challenging for off-port access improvements depending on the infrastructure financed (rail-clear; intermodal connectors-clear; highways-fuzzier).

• Nevertheless, such hurdles can be cleared if the private sector and public sector negotiate "fair" contributions of respective private and public sector funds based on an agreed upon distribution of benefits. However, for that dialogue to happen effectively, a very different basis for jointly defining and forecasting needs, and sharing data and information related to those needs must be established. A new paradigm of public/private sector dialogue and cooperation will be a key prerequisite to a new funding future for freight.