DAY 2: CONCURRENT PANEL SESSIONS (PANEL 1A)

Institutional Relationships

Case Studies

Janet Oakley, *American Association of State Highway and Transportation Officials, Moderator*
Michael Huerta, *Cambridge Systematics*
Jerry Ellis, *Transportation Economic Partnerships, Washington State Department of Transportation*
Benjamin Ritchey, *Battelle*
Robert James, *New Jersey Department of Transportation*

OVERVIEW

Janet Oakley

In the February 17, 2000, issue of the *Journal of Commerce*, there was an interesting opinion piece by Ted Prince entitled "Paralysis by Analysis on the Intermodal Front," which really sets the stage for this session. He talked about the fact that as we have moved from a construction era to one of operations capacity enhancement and from being system builders to system managers of intermodal freight, we have to look to intermodal freight and logistics management as a key component to overcoming capacity problems. He also points out that our fundamental freight intermodal problems have gone unsolved. One problem is a lack of initiative that fails to transcend the institutional barriers—industry, government, and academia need to come together to develop new solutions to intermodal transportation problems.

Yesterday, Jim Morehouse presented his vision—an information technology–based approach to dealing with these issues and problems. Even this information technology–based approach is based on trust evidenced through partnerships, coalitions, and alliances, without which all the technology in the world cannot enable us to overcome the barriers. This panel of distinguished experts will focus on institutional relationships. They will present their stories of successful collaboration between the public and private sectors and share their experiences in overcoming institutional logjams and leveraging public and private energy and resources to identify and eliminate bottlenecks in an effort to gain greater capacity from our existing transportation system.

FEDERAL GOVERNMENT ROLE

Michael Huerta

Michael Huerta is a Principal of Cambridge Systematics and Director of the firm's Washington, D.C., office. He leads the firm's freight and intermodal transportation practice and has nearly 20 years of experience in high-level public management and transportation. Before joining Cambridge Systematics, Huerta served as the Chief of Staff of the U.S. Department of Transportation. His responsibilities in that capacity included serving as the Chief Strategist and Policy Advisor to the Secretary of Transportation as well as the day-to-day manager of the Office of the Secretary. Before that, he was Associate Deputy Secretary of Transportation and Director of the Office of Intermodalism for the U.S. Department of Transportation, in which capacity he facilitated financing for several high-profile projects, including the financing package for the Alameda Corridor here in southern California. Before his service in Washington, D.C., he served as Executive Director of the port of San Francisco and Commissioner for the city of New York Department of Ports, International Trade and Commerce.

It is a pleasure to be here to talk about institutional relationships. When I first accepted the invitation, I planned to provide an overview of innovations that are taking place at the state and local levels and incorporate intermodal freight transportation planning into the broader transportation planning process. However, as I was working to identify those innovations and listening to yesterday's presentations, I heard a great deal of discussion about what are appropriate roles for the federal government. Wouldn't it be great if the federal government did this or that?

I have a unique perspective on that issue. For a number of years, I headed the U.S. Department of Transportation (DOT) Office of Intermodalism; however, I came to that job with absolutely no experience in the broader transportation issues. I was a port director in San Francisco, and in 1999 when the Intermodal Surface Transportation Efficiency Act (ISTEA) was enacted, I was standing on the sidelines saying, "You know, this thing does not work. It does not support the interests of freight." I was complaining, showing up at national forums, and making all kinds of noise and basically making a lot of people uncomfortable. Finally they said "Okay, you go fix it!" I accepted that challenge and for about 4 years worked through a lot of the issues and problems associated with intermodal transportation. Now I am back in the private sector, where I help clients with the complexities of how to incorporate intermodal freight into transportation planning.

Knowing that you will hear about specific case studies and examples of state and local successes, I decided to concentrate my remarks on the issues and challenges that have been dealt with at the federal level and leave you with some thoughts about what we, as intermodal advocates, need to do if we want the intermodal ideas and initiatives to become common or accepted practice.

With that opener, I ask: "What is an appropriate federal role in intermodal transportation?" What do we want from the federal government? When the National Commission on Intermodal Transportation published their report, they identified a range of important initiatives, three of which I will mention that were talked about in many of the presentations yesterday:

- We need to maximize the safe and efficient movement of passengers and freight by incorporating modes of transportation into a national transportation system. We have to think more about the trip and less about the mode. What that means is everything needs to be thought of as one integrated and unified system.
- We need to expand funding. There are a lot of dimensions to that. It would be nice if there were more money—we would all like to see more money. Even if we had all the money in the world, are we able to use it to fund the freight projects and the freight initiatives that we would like to pursue?
- We need to restructure U.S. DOT to support intermodal integration. Tim Rhein talked yesterday about how the Office of Intermodalism is largely invisible and that for U.S. DOT to demonstrate the leadership needed to support and develop intermodal freight transportation, an overall restructuring of the department is needed. However, are we absolutely sure that is what we want? The reason I ask that question is that, since ISTEA was enacted U.S. DOT has attempted a wide range of initiatives aimed at responding to problems and questions presented to them by the intermodal freight transportation industry. Over the past 10 years, however, support has been very mixed, with some things being implemented and others not. The more ambitious proposals involving prioritizing, funding, and institutions have been the most controversial and have engendered a great deal of debate.

I would like to talk about what some of my experience has been on these issues and then talk about what we may think is the federal role in intermodal transportation.

Let's first consider a national intermodal transportation system. ISTEA called for the designation of a National Highway System (NHS) and for designation of intermodal connectors that would connect the NHS with intermodal facilities throughout the system. It was intended to be a constrained system. In fact, U.S. DOT identified an NHS in collaboration with state DOTs and sent a report to congress. Congress really did not like the intermodal connectors part of the report and suggested doing more work in that area—not unlike the view of some in the industry who thought there had not been enough focus on intermodal connectors. Although the work on the intermodal connectors has gone through several iterations, overall there has been widespread support for the NHS and a recognition of the need to address intermodal issues.

Contrast that with a companion initiative the U.S. DOT announced in 1994—something called the national transportation system. As initially conceived by Secretary Frederico Pena, it was intended to be a designation of a constrained system of infrastructure across all modes of transportation, to identify facilities that represent federal and private authorities, and that should be the focus to advance the nation's trade and transportation agenda at a national level. When it was announced, the reaction was unqualified, with strong, strong opposition. Being responsive to what they heard, U.S. DOT backed away from it, saying perhaps we do not need to go through the process of actually designating a system in the same way that we are talking about designating a NHS. U.S. DOT decided instead to call a planning framework, representing the federal government's opinion about what it believes are the core facilities. That idea also landed like a lead balloon. The response was strong indifference—if you want to express your opinion that is fine, but industry is not sure it is really interested in your opinion, and you might as well keep it to yourself.

That brought forward another initiative, trying to understand the performance of the system—where do we have significant congestion? Where do we have significant bottlenecks? No one could really argue with that, but there was definitely a significant sense of unease about the federal government suggesting that elements of the system perform in one way or another. A report was produced on performance measures and, I think it is fair to say, the initiative was abandoned altogether. What played back from the transportation community was clearly a very strong sense of relief that this initiative was behind them and that they could move on to the planning of the transportation system as called for in ISTEA.

What were these concerns and what did they suggest? A very significant concern and issue was whether it is an appropriate federal role to set priorities in modes of transportation other than highways. People have a clear understanding of the federal government developing a constrained system of highways as a result of the Interstate system. The NHS, being a larger system, was regarded in many ways as an extension of that. However, when you started to look to other modes of transportation, what was heard back from the transportation community was that is inconsistent with what state and local economic development goals might be. This particularly played out as it related to airports and seaports. If you ask local government officials, mayors, or governors what their port is, 9 of 10 are likely to say it is an economic development facility before they will say it is a transportation facility. Consequently, there was a great deal of concern expressed that if the federal government is going to designate which of these are key facilities, that may be inconsistent with what really is a local government function to stimulate economic development in a region.

ISTEA was a paradigm shift. It transferred planning authority from the federal to the state and local level, giving them the authority to make the decisions and linking planning with funding decisions. There was concern that if you put the federal government back in that mix in any form, you are setting up a process whereby the federal government designates winners and losers. Remember the question Ted Prince asked yesterday? Is it a valid role for the federal government to be picking among regions of the country as to what is important or expressing an opinion to that effect? That was a concern and raised valid questions of the roles of various levels of government.

As a performance measurement tool, it was an extension of the concern that people had about a planning framework. It was viewed as not being sufficient to really take account of differences you see all around the country in terms of what their unique local needs might be. We might say that a facility on a volume basis performs in a certain way, but that would ignore very valid concerns that this is a key facility for us not because of its volume but because it provides a level of access. We require access to the system and how do you balance those needs?

This debate about the national transportation system initiative raised some very valid questions—most notably, what is an appropriate federal role when it comes to developing a system across all modes of transportation?

Consider the funding questions: flexibility and expanded eligibility. Who remembers UTIP in 1995? I think UTIP crashed and burned because it had such a miserable acronym—Unified Transportation Infrastructure Improvement Program. It was conceived as a single funding program for surface transportation and was opposed by virtually everyone. Concerns were raised about losing the visibility or the funds dedicated to particular modes of transportation. UTIP did not get very far and, ultimately, I think it suggested that people are more comfortable with funding programs designated to specific needs instead of a large funding program with total flexibility in terms of how you might spend it.

There has been a lot of discussion about expanded eligibility for rail freight over a number of years. The department test marketed this concept during consideration of the Transportation Equity Act for the 21st Century (TEA-21) and, not surprisingly, highway interests strongly opposed it. However, it also received only lukewarm to relatively negative support from the railroads. The reason for that was that the railroad's concern had more to do with whether this was a way of taxing them—if we are going to be eligible for federal funding, does this mean you are then going to come and attach some new form of taxation to support these investments you are making? The highway interests, naturally, were concerned that highway funds would be diverted from their intended purpose.

Over the years, there has also been talk about expanded eligibility for FAA airport funding programs to cover access projects, primarily to airports. We got very significant opposition from the airlines, probably the most virulent across all the modes of transportation. Critics of the airlines sometimes remarked that the airlines believe they have accomplished intermodalism if they deliver your baggage to you. The issue though is that airlines are concerned about being perceived as a deep pocket. If you are going to allow the use of airport funds for other purposes, they view it as a slippery slope with no end.

TEA-21 offers some expanded eligibility for rail projects in credit programs—we will let you borrow money, not necessarily in the grant programs. Of course, there are new programs for borders and corridors and they represent a significant step in expanding funding options for intermodal projects.

Some of the concerns raised related to funding flexibility, seen as a violation of the basic premise of the trust funds, that the beneficiaries pay for what they receive. Fuel taxes fund highways. Airline ticket taxes fund airports. An extension of that is the mismatch between who pays and who benefits. There was also a concern that this was a larger smokescreen for reducing the overall levels of funding for transportation. I think this was a valid concern because our colleagues in the administration were arguing, "... if you do not have these barriers and walls between the funding screens, you are going to get so much more efficiency out of your transportation investments, so we can reduce the funding levels overall." It was a bad political argument because everyone said, "You are doing it. You are reducing the funding levels and you are trying to say that it really does not make much difference."

Uncomfortable questions were being asked about how to spend public funding—and what about private beneficiaries? This is an issue particularly with respect to freight, because so much of the freight transportation system is within the purview of private carriers. A lot of questions are raised, such as: If you are not making an investment in a publicly owned facility, how do you deal with ensuring that it provides a public benefit? Those are questions we continue to work through even today.

Finally, another big issue with TEA-21 reauthorization was the question of whether more funding should be dedicated to freight and trade-related purposes—specifically, the very real political factor that nothing would be added to the program in the way of expanded eligibility unless you first gave every state more money. The result was that 49 of 50 states got more money in TEA-21; the exception was Massachusetts (although I think a lot of people believe they have paid through the Central Artery Project in Massachusetts).

What about restructuring? A lot of initiatives have focused on restructuring U.S. DOT. In 1991, the National Association of Public Administration proposed a Surface Transportation Administration that would blend together and combine the institutions that currently administer FHWA, the Federal Transit Administration (FTA), and the National Highway Traffic Safety Administration. They also had safety in the companion Safety Administration and FRA concept.

Later in 1995, U.S. DOT proposed an Intermodal Transportation Administration that was much broader and actually picked up the functions of the Maritime Administration as well. I lived through about four rather unpleasant months on that one. It was quite interesting. We announced this proposal. Rob Krebs, in his capacity as Chairman of the National Commission on Intermodal Transportation, was right there to say, "This is exactly what we recommended and yes, I support it." The American Association of Port Authorities (AAPA) came forward in support and no one else. I was quite pleased with the AAPA support—in retrospect it was perhaps a gesture of sympathy directed at me because I had come out of the port community and they figured they should support one of their own. The proposal did make it into legislative form and was introduced in both Houses of Congress. However, it was introduced by what those familiar with Washington, D.C., refer to as the congressional kiss of death. A member introduced it "by request," which is a member's way of saying, "I really hate this, but they twisted my arm and made me get this thing out in front of you." Consequently, it did not go anywhere.

More recently the department put forward an initiative called One DOT—a collaborative effort within U.S. DOT to identify where there are issues, projects, concerns, and programs that cross modal lines and then attempt to develop administrative mechanisms to deal with them and be more supportive of the needs of clients. They have come up with blended offices in certain metropolitan areas of the country, and I think it is fair to say that significant progress has been made in collaboration within U.S. DOT. However, this is not the restructuring that many have argued is needed, particularly if you want to support the needs of intermodal freight.

What were the concerns raised about restructuring? The foremost concern was fear of losing expertise in modal distinctions. FHWA knows a lot about highways. It is the best civil engineering organization in the world relating to highways, and you lose that if you start to mix other modes of transportation. There was concern about loss of visibility of smaller modes of transportation. This was a major issue of transit proponents—if you take away FTA, what does that suggest in terms of the visibility of transit because everyone knows those state DOTs are just going to build highways? The issue of modal advocacy was and is a valid concern—you need someone who can advocate on behalf of the interests of certain modes.

There was also a concern raised that restructuring could result in too much focus on making the system efficient and not enough focus on choices. How do you ensure you have a range of modal choices available to serve your transportation needs and what about basic accessibility? What is basic accessibility? Is it access to one mode, or is it access to several?

A final and interesting point raised was "It does not work well the way it is, but we are more comfortable with the devil we know." In fact, a couple of intermodal commission members reached that conclusion. Nonetheless, the commission supported the notion of a restructured DOT.

What do we want from the federal government? We appear to be saying the following:

- We want the federal government to provide leadership but not to set priorities.
- We want a little more funding flexibility, but do not take our money.

• Restructure yourself, but keep everyone where they are because we know them, we know how to deal with them, and we are comfortable with that situation.

What have they done in response to that? The Office of Intermodalism has focused its efforts on advocacy, consensus building, and technical assistance. Steven Van Beek yesterday called it a weaver and integrator of programs that might benefit freight transportation. There has, in fact, been some funding of freight needs but so far there have been no large-scale funding programs dedicated to intermodal freight transportation. There have been significant changes in management and program administration but within the organizational and program structures that exist today and with a greater focus on operations of the transportation system.

Are we comfortable with that as a level of progress so far at the federal level? If the answer is "yes" then what we need to do is focus on making the existing program structures and the existing roles work better. Support initiatives like One DOT and figure out what else needs to be done to support the U.S. DOT initiative. If we are not comfortable with that, then we need to ask the question we heard about yesterday: are we at one of those trigger points where you really have to look at dramatic institutional change to respond to the changes in the market?

Some issues to think about as we consider that question are the following: although some might think the progress to date has been modest, it has been extremely difficult to get there. It is true, we have seen dramatic and innovative changes at the state and local levels of government, but is that sufficient? People yesterday appeared to be saying we need to see more from the federal level. If we want to see more change at the federal level, we need to find a community consensus not on what are the changes we would like to see—we have talked about those for 10 years—but instead focus on how we get there. By the way, we cannot forget about Congress in this whole thing, because a lot of this will require legislation.

This has been an overview of some issues the federal government has struggled with over the years in trying to be more intermodal. A lot of progress has been made, but there is a lot more we need to think about. Thank you very much.

Transportation Economic Partnerships

Jerry Ellis

Jerry Ellis is regarded by many as the "inventor" of innovative transportation financing partnerships at both the state and national levels. Her vision and leadership have led to many firsts for the state of Washington, including a public-private venture to develop and finance the Tacoma Narrows Bridge, the first significant suspension bridge in the United States in 25 years and the state's first new toll facility in 50 years. She is Washington's chief negotiator for the fixed price design build agreement that is being financed and developed by United Infrastructure Washington, a subsidiary of Bechtel. She also represents the state in overseeing the project financing, which will include another first for Washington State—the use of the 6320 nonprofit corporation as the structure for the privately financed project. In 1991, Jerry was the recipient of the WTS Achievement Award as Washington State DOT's first woman executive who pioneered issues vital to rural and agricultural development, mobility, growth management, and trade and economic development. In 1998, the Women Transportation Seminar (WTS) also honored Jerry with the local leadership award for outstanding steadfast leadership on public-private initiatives. The Engineering News Record *has named her Newsmaker of 1994, again for Washington State's Public-Private Initiatives program. Last year she was awarded the 1999 Public Sector Entrepreneur of the Year Award by the Public-Private Ventures in Transportation Division for her perseverance and leadership in the Tacoma Narrows Bridge project.*

This is the second or third time I have had the opportunity to come and share my insights with groups like this and I believe we have made significant progress. Today I want to talk about a couple of specific examples of progress in forging institutional relationships. The first of these is the Tacoma Narrows Bridge project alluded to earlier and it is an example of financing a major transportation infrastructure. The second also involves financing, but it focuses on developing substantial and broad-based collaborative relationships among local jurisdictions as well as the state, the federal government, private partners, and ports.

Let me begin with an overview of the Public-Private Initiatives in Transportation Act. Washington State, like every other state in the union, finds itself with a much greater list of needs than it has money in the checkbook. The Act was authorized in 1993 and was probably the most innovative program undertaken in the state of Washington in terms of trying to find a way to entice private investment into meeting public infrastructure needs. It also authorized the developers themselves to impose user fees or tolls to recoup that private investment in terms of public infrastructure.

We have made substantial progress in terms of the Tacoma Narrows project, with the June 15, 2000, signing of a major development agreement between Washington State DOT and United Infrastructure Company, which is a subsidiary of Bechtel. They will be responsible for the development of the project and its financing. Through a joint venture, we will conduct the design-build construction as well as the long-term operation and maintenance of the facility.

As you go up the peninsula, there are very few ways to leave the peninsula. There is Highway 101, which does the whole loop and is a lovely tourist road, but it does not necessarily lend itself well to the movement of substantial freight and goods. On the Kitsap peninsula, you have the Bremerton Naval Yard as well as the Trident Submarine Base. In Pierce County are Fort Lewis and McCord Air Force Base. There are some clear issues and relationships between the movement of goods, not only in terms of the private commercial sector but also in terms of the military.

As a result of legislative dictates, we had to do a substantial origin-destination study as well as identify the users and provide them an opportunity to cast an official formal advisory ballot on whether they wanted this project and would be willing to pay tolls for it. It was in a seven-county area and was supported by 53 percent of the population.

What does this have to do with freight? For example, a condensed condenser from one of the nuclear Trident submarines was traversing the bridge—it was being surplused and taken to its final destination. Those of us in the state DOT wished it had not made an interim stop on the bridge, where it left the truck and made substantial holes in the deck. The existing Tacoma Narrows Bridge is a four-lane, nondivided, no-shoulder substandard width bridge. When that object found its way to the pavement, the bridge, as our major connector, was closed for several hours and then was very reduced in terms of service level for a substantial period of time while it was being repaired. We thought February was bad, but on July 8th, a cement truck turned over on the bridge and provided another reason to close the structure down and then go to reduced service mobility for a period of time.

The public-private partnership itself is scheduled for its record of decision within a couple of weeks. The actual public-private partnership project that is being undertaken by Bechtel will include a new suspension bridge, reconfiguring the existing bridge from four lanes to three lanes. The new bridge will have three lanes and it will have shoulders. They will be standard width lanes. Because of the area we live in, we will undertake seismic retrofit and will be putting a new interchange to remove some of the bottlenecks on the western side, what we refer to as the peninsula side. As I indicated, we will be adding overall capacity of two additional lanes. It is a design-build construction that will be undertaken by Bechtel. With financing in place, we anticipate construction to begin this fall and for the new bridge and all the activities I just mentioned to be completed in late 2004. This is a fixed-price design-build contract being negotiated between the joint venture and our developer. It must bear our stamp of approval, as well as substantial public and local jurisdiction input in terms of the design structure.

The financing of the project involves a $3.00 maximum initial round-trip toll. You might ask, how did we arrive at $3.00? If you have to take a project of this nature and magnitude to a public vote, one of the things the public will demand to know is how much is it going to cost us? To demonstrate how much of a risk taker I am, this was before we had anything other than the most preliminary of engineering instruments upon which to base initial toll rates. It is our goal to maintain that for at least 3 to 5 years and then increase only for purposes of inflation or increased maintenance costs. The state has contributed $61 million in hard dollars to the project—about $11 million for development and a $50 million contribution to the construction of the project. It will be a 6320 that will be under the auspices of our developer, UIW, on a tax-exempt debt basis. Perhaps the most important thing to note is that this is private debt. It is not guaranteed by the state. It is not an obligation of the state.

We hope to wrap up financing by this fall and have the new bridge in place by late 2004 or early 2005. The construction estimate is $350 million. Total private financing will be in excess of $700 million, given soft costs as well as capitalized interests and other needed efforts. That is one of our major projects in terms of putting together a financial public-private partnership using construction techniques such as design-build to gain as much cost savings and efficiency as we can.

Turning for a moment to the DOT and its focus on freight. We, like everyone else during the 1990s, have had to make some changes in terms of how we do business. It became obvious that freight, and hopefully it is not the flavor of the month or the flavor of the decade, required greater attention. In fact, we were asked and there was greater and greater pressure on DOT to find ways of addressing freight issues in all decision-making processes. We were also asked to assume the leadership role or to be the catalyst in bringing together a lot of the private freight industry as well as local governments and our port partners. Clearly we had to begin looking at freight as part of how we do business, as part of our long-term planning, and to look at the securing of public-private funding for a lot of those projects that have a clear freight benefit.

Among those projects are highway system plans. Our mobility program now pays greater heed in terms of what the benefit or the costs or the values are in the 1990s, looking at the freight goods transportation system based on gross tonnage and also looking at all-weather roads. Development of the truck system obviously is one of the more vital components in terms of the efficient movement of freight and goods.

Within our rail program, we are looking at high-density rail lines, the abandonment of short lines, particularly in eastern Washington, which is a highly developed agricultural area. That whole effort came into being in terms of how we, in fact, saved some of those lines and thereby saved wear and tear on the existing farm-to-market roads. At the same time, as there was more and more congestion pressure in the central Puget Sound area, we had to look at additional passenger rail without getting into a situation where it could interfere with freight rail. This has led to a very substantial planning and project identification effort that involves a lot of partners such as Amtrak, Burlington Northern Santa Fe, and Union Pacific as well as the public ports and commuter rail. The latter is now a program funded by the taxpayers of central Puget Sound to increase and enhance the use of rail. The Milwaukee corridor was a right-of-way that existed in eastern Washington, creating another east-west movement, that has now drawn legislative attention in terms of how to bring that back into operation.

With respect to marine and river ports, a number of efforts went on through the 1990s, in cooperation with the Washington Public Ports Association, whose members are among my best friends and associates. In the early 1990s, I was in charge of looking at innovative financing, in addition to running the department's economic development efforts and the business line as far as freight movements. During this time, it was nearly impossible to get the ports individually or as an association to willingly come to the table to be part of either a collaborative planning process or, heaven forbid, to look at how we might pull our funds to develop some of these needed projects. I was told, "Quite frankly, Jerry, we don't have a problem. You folks may have a problem, but our stuff is moving just fine, so thank you very much. We will go on with our business and please go on with yours, and life will be marvelous." What happened in central Puget Sound was that life stopped being marvelous very quickly. As we experienced more and more congestion, it became more and more difficult to get in and out of the ports of Seattle and Tacoma, at least with any degree of predictability. In addition, ISTEA came along and in Washington State we started looking at putting together a group to send out a lot of the enhancement funds to the local jurisdictions and some of us thought the ports should be at the table. They were not in the beginning, but they are now. We also now have an effort in which we are doing more planning together, in terms of the relationships, in terms of our marine cargo forecasts, which previously were essentially a function and analysis done by and for the ports. Now we are a joint funding partner and work together in terms of making sure we have an integrated system and finding out what the potentials are in terms of impacts.

All this activity has led to some major efforts now under way. One is what we call the FAST corridor. Peter Beaulieu will talk about it this afternoon in another session, so I will simply say this is one of the major efforts of the state in which we are bringing together several partners to resolve port access and grade separation problems facing us in central Puget Sound. It started with the formation of the freight mobility roundtable, where parties came together not as decision makers but to find common ground in a positive manner instead of airing differences. The entire FAST corridor effort includes 15 projects with a total price tag of about $470 million.

Another major effort is the Cascade Gateway at the border of Canada and Washington. We have been successful in securing TEA-21 funds under the border crossing program. This effort involves the Whatcom County Council of Governments in the Bellingham area as well as state DOT, U.S. Customs Service, U.S. DOT, and others to find a solution to the bottlenecks that exist in terms of both time and effective movement. Again, this is an effort in which we are bringing together people with a common purpose and an understanding that, in some cases, we have to fund and pool our resources to be able to accomplish the greater good.

The last example is the Freight Mobility Strategic Investment Board (FMSIB). The state of Washington has moved to institute or institutionalize the importance of freight and the need for investment to ensure efficient freight movement in the state. This came about through various efforts and included a group of about 60 people, which was really too large of a group to make meaningful decisions, but it did provide a common platform for identifying projects to be undertaken and developing a basic underlying policy that gave a focus to freight. After that was the Project Prioritization Committee, which I chaired. Policies and concepts are marvelous things, but when we begin to "slice the bacon," all hell breaks loose. Suddenly, what we all committed to in terms of strategic corridors first, the farm-to-market road in Walla Walla becomes a priority project, and so it goes. However, we were able to develop some criteria and made the FAST corridor our highest priority.

FMSIB now stands as a small but separate independent agency, controlled by a board made up of public and private members and with a focus strictly on freight and freight investment. It was established in 1999 and funded for $342 million over 6 years for several of the priority projects that everyone had agreed to. I am not going to take the time to go into the fact that those funds are now in jeopardy, given that voters of Washington State have moved to a different place in terms of what they want to pay for—their car registration or their tags. This will be a problem for us to figure out in terms of overall funding. Nonetheless, as a result of all those efforts and an enhanced look or focus on freight, we have been able to make substantial progress.

I have worked in public-private partnerships and put together financial packages for longer than I care to admit. It is tough. It is extremely tough when you face countermanding cultures between the private sector that must look to its bottom line and the public sector that, although sometimes it cannot define it well, says that public stewardship is, in fact, our only responsibility. The challenge is to put together effective partnerships, particularly financial partnerships, and I believe that from this day forward we will have to look at financial partnerships. The days of our colleagues in the public agencies, or those in the private sector, or the ports or local jurisdictions, simply saying we really need this, how can we go to the federal government or the state government to get the money, are gone. We are going to have to look at innovative financing approaches. There has to be an understanding that there is a mutual sharing of the risks, of the responsibilities, and the costs as well as the rewards and the benefits. This is standard Business 101 for the private sector. This is how you put together deals and the reason you put together deals. There is always the understanding in negotiating those deals that there is a good tool or a good contract or a good deal developed when you have those benefits and the risks somewhat in balance.

In negotiating these sorts of deals, we in the public sector, and I know this is an extremely difficult thing for many of my colleagues, must have the ability to sit down in a private setting and figure out if there is a deal or possible deal that meets the criteria laid out. Once there is a clear understanding of what the deal is, it must be approved and be transparent enough to be acceptable in a public arena. Among those negotiating activities is obviously some determination that the private sector does this and does it much better than the public sector ever has. It is because we simply have a hard time grappling with this issue of public versus private. I say "versus" deliberately. We still think in the terms that if we are able to arrive at something that benefits both, somehow the public sector has left more on the table than it should have. This is an attitude that we have to begin to get over if we are going to be able to put together some of this infrastructure funding that is needed. We have to look at who benefits and how much, who should assume what risks and what costs and then, obviously from my side of the table, what public policy factors should be applied.

We also have to learn to be prepared to walk away from deals. In the public sector, there are some instances when we have gotten so caught up and so enamored of putting together these public-private partnerships and overlooked the fact that we may have a deal that really is not very good, but somehow we do not think we can back away because it is a public-private partnership and that is a good thing. Sometimes it is not. The public sector has to become comfortable with also putting on business hats.

Successful partnerships, successful negotiations have to be based on market and political realities—not on models, not on what we think our technical analysis might tell us. The private sector has to deal with the bottom line. One of the things that happens is government has a tendency to plan in 20-year time frames, and we can keep a lot of people busy doing that for 20 years. We fund in very short annual or 2-year increments. But we do have a tendency to want to go on in terms of our long-term models and plans. The private sector person has got to have delivery this Friday afternoon. So many times, that is the difference between a bottom line and long-term planning. We have to begin to understand those market realities and our private partners have to begin to understand our board of directors, our stakeholders in the political environment. Thank you.

Greater Columbus Inland Port

Benjamin Ritchey

Benjamin Ritchey has more than 20 years of transportation policy freight operations and program management experience. He is the Vice President and General Manager of Battelle's transportation market sector and also serves as program manager for a multimillion dollar technical support contract with FHWA's Office of Policy. His recent work has focused on management of two major congressionally mandated projects—the truck size and weight and highway cost allocation studies. Mr. Ritchey also works on energy and environmental issues and on assessment and deployment of transportation technologies. Mr. Ritchey is also Chairman of the Greater Columbus Inland Port, a group that serves as a freight facilitator and a broker for the Columbus, Ohio, region. In his capacity as chairman, he commands a unique army of public and private volunteers.

I will be talking about something that is very localized and basically operated by the private sector—the Greater Columbus Inland Port (GCIP). GCIP is not a port in that there are no big ships coming up to a wharf or dock. Instead, it is an entity of private interests who are all interested in freight. We are associated with the Columbus Chamber of Commerce, so there is clearly an economic development aspect to what we do. It is operated, organized, and led by the private sector. Membership on the commission does include public sector as well as private sector, but the public sector people tend to take a back seat in leadership, because the purpose of the group is to foster and advocate for solutions that represent a collective of freight interests in the Columbus area.

Who is GCIP and what is our purpose? Our basic mission is twofold:

- To promote central Ohio as an efficient, cost-effective location for the distribution of products and materials throughout the United States and the world; and
- To advocate and facilitate continued development and coordination of the region's freight transportation needs.

Established in 1992, the group includes private sector people from corporations such as The Limited, Lucent Technology, McGraw-Hill, Bath & Body Works, Abercrombie & Fitch, and other manufacturers whose names you might not recognize but whose products you are probably familiar with. We have railroads, trucking companies, and freight forwarders as well as the public sector—primarily state agencies and the local metropolitan planning organization (MPO). We also have regional Chamber of Commerce people not only from the Columbus area but also from the surrounding counties.

What do we do? We have five principal areas of endeavor: (*a*) cooperative marketing programs with coastal ports, (*b*) an intermodal rail enhancement program, (*c*) facilitation of information technology, (*d*) cooperative demonstration projects, and (*e*) a shipper association.

Why would a port such as Long Beach enter into an agreement with an inland port in the Midwest? Because we are a central point of contact for their current customers or potential customers in central Ohio. We have direct access to their customer base. They can call us and say they are coming out for a visit and we, in turn, can organize a meeting with 10 to 15 private sector companies, perhaps focused on a particular issue or topic. For a port marketing department, this kind of assistance is very important. What do we gain from partnering with the coastal ports? Our members, most of whom are private sector freight interests and shippers and receivers of freight in the central Ohio region, can collectively do a better job of getting and improving the services they require. For example, if we can knock off a day or two of transit time between Columbus and southern California by better integrating the international water and domestic surface movement of goods, that is exactly what we do. We bring the different players together.

To arrange for service and have it work and sustain itself has been somewhat problematic. For example, we have a third party involved in rail intermodal, who is very interested in improving service between central Ohio and the ports of New York and New Jersey. We are working with that third party now to better understand how we can facilitate our end of it. In the case of bulk commodities, we make an effort to pool collective shippers together and help arrange services. We organize general cargo shippers in an effort to get better service and lower transportation costs for our members. For example, The Limited has goods coming from Asia into Columbus and then being distributed out of Columbus to the rest of North America. The Limited has a fixed amount of container tonnage that will move in and out of the area. GCIP piggybacks some other shippers such as Honda and McGraw-Hill with The Limited to negotiate better service and rates. This is another reason why ports and others are interested in our activities, because we can organize and bring shippers together.

GCIP has four committees:

- The information technology has sponsored and hosted events to showcase information technology. They offer services to the members with regard to new software that may be coming out and new Internet advances. For example, we have a meeting coming up that will feature speakers on e-commerce and how it deals with the freight issues.
- The distribution and services committee serves as a point of contact for carriers or other service and facility providers who want to have a meeting in the Columbus area. For example, British Airways came in and, with a 3-day notice, we were able to deliver 22 individual companies to attend a meeting to talk with them about airfreight coming into Rickenbacker Field, a former military air base that now serves commercial carriers. (The Ohio National Guard is also still at Rickenbacker, but we are trying to build it up as a dedicated air cargo airport.)
- The workforce committee deals with some interesting issues. In central Ohio, we have unemployment of 2.1–2.3 percent. For all intents and purposes, we do not have an unemployment problem. What we have is a labor shortage. Because the freight-related industries—including companies like The Limited and McGraw Hill—need middle- to low-skilled labor for their warehousing and manufacturing and distribution services, the labor shortage is an issue common to our membership. GCIP brought up the issue and has been dealing with it so much that it has become an issue that goes beyond freight. It is an example of what an organization like this has done for its membership.
- GCIP also has a committee that works with the Mid-Ohio Regional Planning Commission—the local MPO—as a sponsor or advisor to a number of freight studies. We play an advisory role by encouraging industry to work with the public agencies. One example is recent work done with regard to congestion issues in the Columbus area.

Where do we take GCIP in the future? This group of freight interests is organizing to educate public sector decision makers, mostly at the state level but also at the MPO and city level, about the importance of freight to the economy. How many jobs does it create? What does it generate in terms of economic benefit? How can we work together to resolve freight-related problems such as congestion? We are also getting involved in an advisory role about how to spend highway money. What share should be allocated to passenger issues? What should be spent on freight issues? This relates directly to our efforts to educate the decision makers.

GCIP is very involved in economic development and helping find effective ways for the Columbus region to compete with Pittsburgh, Indianapolis, Cleveland, and Cincinnati. This involves marketing the area and really goes back to our roots within the Chamber of Commerce. Among the advantages central Ohio offers are the exceptional land-air connections available at Rickenbacker International Airport; United Parcel Service's large distribution hub operating from two facilities in the Columbus area; the NATP (North American Trade Point), the only United Nations Conference on Trade and Development designated trade point in North America; and numerous international trade consultants, freight forwarders, customs brokers, and international shipping companies.

One of the major GCIP efforts had been to transform the former Rickenbacker Air Force Base into a dedicated air cargo facility, making Columbus a major U.S. gateway for airfreight. We are competing with major cities and airports in Chicago, New York, and Atlanta. This has been a major challenge; however, it is in our best interests to continue this effort.

The major issues GCIP deals with are not unique to the Columbus area: the impact of highway congestion on freight productivity; prioritizing freight projects and integrating freight into long-range transportation improvement plans; finding strategies to finance local freight improvements, particularly when rules for infrastructure financing are somewhat restrictive; and adapting to a changing economy that has gone from regional to national to global. Related to this last issue is the growth of e-commerce. GCIP has been able to convince local political leaders to encourage and support e-commerce incubator companies. This effort is about a year old and in 10 years perhaps we will know whether this has contributed to the region's economic development goals.

With respect to long-range planning, GCIP brings together on a quarterly basis the private sector, the freight interests, and the public sector (state, MPO, local) to encourage dialogue and mutual understanding of how the others operate. As Jerry mentioned earlier, it is the public sector's 20-year planning horizon versus the private sector's need to get freight out this Thursday or payroll out on Friday. These people operate in different worlds. GCIP works hard to encourage them to listen to and appreciate one another. We have had some incremental success in that the private sector has gotten more engaged with regard to the planning process for infrastructure improvements. GCIP members meet on a somewhat regular basis with officials from Ohio DOT to offer advice during the planning process, particularly when capital projects are being selected.

GCIP is a part of the Chamber of Commerce, which is interested in economic development. We have been organized to recognize the importance of freight in central Ohio and to act as facilitators and advocates for freight. Thank you.

Portway Project

Robert James

Robert (Bob) James is policy advisor at the New Jersey Department of Transportation and staff liaison to the Port Authority of New York and New Jersey's (PANYNJ) portway project. He has more than 20 years of experience in transportation policy, process, planning and program development, legal and legislative analysis, definition and resolution, and intergovernmental and public private sector relations. His recent contributions include providing leadership management support for successful New Jersey DOT initiatives including the New Jersey International Intermodal Access project, the Dredged Materials Beneficial Use Task Force, and the State Transportation Infrastructure Bank. Before joining New Jersey DOT, Mr. James worked for PANYNJ as a policy advisor and as a principal business and intermodal planner. He also worked for the Office of Transportation Policy in capacities such as strategic planning specialist and executive speechwriter and as supervisor of intelligence, liaison, and policy analysis.

I will talk to you about the Portway project generally and about some of the partnerships and institutional issues that come up in a very dynamic project that has a mix of infrastructure improvements focused primarily on intermodal access. These intermodal access features deal primarily with accessibility to the port, but they also deal with accessibility to a number of major intermodal facilities that are clustered in a 12- to 17-mi area in northern New Jersey. They also include a major air cargo facility, several major freight intermodal transfer facilities, a number of major locations for trucking firms, and some areas for economic development. There are also a number of underutilized brownfield sites in the Portway zone, because it is one of the oldest areas for manufacturing and freight transfer in New Jersey. These sites portend to provide a chance for a renaissance of freight activities tied to the global economy, and it will be an important element in the Portway plan.

Portway began in 1996 as an imperative forced upon the state as it weighed the consequences of expanding its channels and becoming a major hub port. It also came about because a good friend of mine liked to look at railroad maps and knew a lot about railroad history. He looked at the intermodal area and said, "Wouldn't this road work better if you connected this here and that there, and you went here?" Sure enough, he was right. I worked with him to add some background to the proposal and we began to move it forward, with the approval of our commissioner, through various political channels in New Jersey and finally won the solid support of the Governor's office as well as most major economic development groups. Certainly, the opportunity and endorsement for going ahead from the local communities had a tremendous impact on this effort.

There are two primary factors involved with Portway: (*a*) you have an old infrastructure that has not been improved in 50 years. This infrastructure is the front door to port, rail, and trucking facility transfers in the greater New York region. (*b*) You have a growing global economy in the area that is very much changing the demand quotient. As most of you know, the port of New York–New Jersey is already a major hub port, but it is also going to be a major center of activity as a result of expanded action by Maersk–SeaLand.

In addition, because of the Conrail purchase, we will have two railroads operating where one railroad previously operated and they both intend to double their business. Hence, there is a lot of rail and intermodal movement in the area. The key nexuses or connectors to this intermodal activity are the trucking firms that serve the drayage function of transferring containers to and from the port and from the rail facilities to the ultimate customers, shippers, and warehouses.

There is a lot of freight activity and the general regional economy in New York and New Jersey has done very well. We look forward and we see tremendous pressures on demand. When dealing with demand, the place to start is the front door and Portway is literally the front door to intermodal transfer and intermodal transfer opportunities.

The major goals of Portway are to achieve efficiency, synergy, economic development, and economic sustainability. When you are trying to do a lot within a major project, then certainly there is the new transportation paradigm. Portway starts at the New Jersey seaport. There are two major facilities that represent the bulk of the New Jersey seaport operations, and, in fact, the bulk of the entire seaport operations in the New York–New Jersey area. The northern New Jersey seaport, as part of the port of New York and New Jersey, is the largest container port on the East Coast. It handles more than 2 million containers a year and 2.8 million are projected for 2010. That estimate was made 3 or 4 years ago and it is likely to be surpassed. We currently handle 20 million tons a year through the port. As a result of this activity, directly or indirectly, 166,000 jobs are created.

The New Jersey seaport handles about 95 percent of the entire port volume in the port of New York and New Jersey, and it provides, or at least has the opportunity to provide, integrated rail, truck, and warehouse facilities. The intermodal picture involves more than port service. There are the railroad factors. One million containers currently move through rail terminals each year along the proposed route; and the railroads want to add 50 percent more trains and they want to double this business in less than 20 years. There are several railroad yards directly along the Portway route, which are served by the improvements to the "front door." Another part of the intermodal picture is trucks and warehouses; 15,000 trucks travel through the port each day; 2 million trucks per year carry intermodal containers in this area, and the projection is for about a 4 percent annual increase for quite a while.

The intermodal picture would be incomplete if we did not mention air cargo. Newark Airport, which is located directly adjacent to the port, is the eighth largest air cargo facility in the United States, handling 1.14 million tons a couple years ago and growing. Growth in the 1990s was at about a 10 percent clip. New facilities have been created at port Newark for air cargo and we will also see those new facilities produce efficiencies if we can capture them in the access system.

The ports that serve the seaport in this area have not seen any major improvements since the 1950s. I am not talking about the Turnpike—I am talking about the access road. It actually goes back to the 1930s when great pieces of infrastructure like the Holland Tunnel and, for those of you who are familiar with the area, the Pulaski Skyway were built. The main problem is to deal with the congestion that has built up over the years and also move forward to deal with the issues of demand.

Portway improvements aim to create a dynamic new intermodal corridor. The corridor must be capable of serving as the surface transportation match point for the new super-container ships that are coming into the port. Portway aims to cut the trip cost on the landside in half. Trips through the Portway system between the railroad yards average 30 to 50 minutes. As Warner Wolf would say—if you are familiar with northeastern sportscasters—that is too long. Costs average more than $70 per hour and that is too expensive.

Portway means improvements to existing roads via public rights-of-way that currently exist, private rights-of-way that will be added to provide direct access to railroad facilities, a new river crossing to add completion and redundancy to the system, and a new Turnpike exit that will either be a new front door for Port Newark-Elizabeth or a major connecting point between Port Newark-Elizabeth and the port facilities at Bayonne and MOPI, the military ocean terminal. We have some sense this was abandoned by the military and is now coming into private use. One of the major private uses at MOPI will be new port facilities that will be integrated with existing port facilities, hopefully in the not-too-distant future.

Some Portway connections are in progress. For example, Remus Avenue, which is the major road that leads from the port northward to a Turnpike exit, is about to begin a major reconstruction. That project is slated to begin in 2000 and to be finished in about a year. A major part of that is a bridge that spans the Oak Island railroad yard. This bridge was initially constructed as a trolley access to the port during World War II when it was a submarine base. We have gotten a lot of mileage out of that piece of infrastructure, and it needs to be replaced.

The project will also cover the "twilight zone" of transportation in northern New Jersey—Charlotte's Circle and Tonnelle Avenue Circle. This is a series of ancient highways that run between Newark and Jersey City in Hudson County that serve as both major urban thoroughfares and a major freight nexus in the area going to warehouses up and down this particular corridor. Quite often, this corridor turns out to be the trip from hell for both the freight industry and other people in the adjacent localities.

Portway will move forward in several distinct phases. Phase one is a series of projects that were developed under independent utility—hence, they are going first in a number of projects that are additive. You start out at the port. There is an Express Rail flyover being built by the port authority that will end the conflict with on-ground traffic at the port. The railroad will then be able to come in at all hours of the day and not conflict with ground traffic, giving greater flexibility to the capacity of Express Rail, an on-dock railroad facility run by the port authority. There are the bridge improvements for putting in new crossings to link into an economic development zone, and then there are a series of railroad yards that basically handle domestic intermodal at the easternmost point of the port. About 600,000 containers come into this area from the West Coast each year via mini-land bridge.

Phase two, if it can be built, and there are a number of environmental questions here—will extend from Croxton yard. Croxton yard will be accessed through the Charlotte and Tonnelle Avenue circle through a private right-of-way that will provide direct truck access into the rail yard and thus alleviate traffic not only within the circle but also along the right-of-way. We would like to extend that principle further northward to Little Ferry yard, which is a major CSX terminal up to the north, to create a full system. This location also gives us the potential option of linking into the Turnpike and actually creating a new right-of-way that could be a freight route parallel to the Turnpike. If the concept works out, this is the best way to go.

Phase three, which actually becomes phase two out of necessity, is improvements to the existing and potential port facilities at Bayonne. The idea is to get quick access to the Turnpike without going on local roads, improving railroad connections into the port, and generally building up the capacity of this port facility. This is probably the best port location in the New York region, because it sits right on a channel that can be dredged to 50 ft and easily maintained. There is also an area of about 100 million ft^2 available for development for ancillary port and other freight and warehousing activities.

Portway depends on partnerships with communities, businesses, developers, freight companies, and the state of New Jersey and other public-private sector entities. The partnership with the communities involves focusing on (*a*) the entrepreneurial elements of the community, (*b*) businesses that are already in the rights-of-way, (*c*) taking a proactive role through brownfield redevelopment, and (*d*) looking to ports in other areas, where manufacturing and value-added services tie directly to port activities and can be advocated in advance. As far as the business community goes, we have talked to firms and facilities along the right-of-way, the trade associations and the local entrepreneurs. The developer community and freight interests also need to be taken into account.

In this process, New Jersey DOT has taken the lead. This project is part of a larger area that is an international intermodal corridor. It applies both to Portway and a broad region in northern New Jersey that includes major highways such as the Turnpike, the Interstate highways, and also mass transit facilities and older roads like Route 1 and Route 9 that need rehabilitation. An assistant commissioner has been put in charge of specifying, prioritizing, and developing the international intermodal corridor in northern New Jersey, understanding what is going on with all the activity here, and advancing priority projects such as Portway.

Another very important New Jersey DOT function is internal scoping and development. We tried doing Portway as a public-private sector partnership right from the start. We had a new statute similar to the Washington statute to get it going. However, there did not appear to be enough benefit deriving to the public sector to advance the partnership at this time. I think one of the reasons for this is that the DOT had to come to grips with the project internally, to understand what needed to be done and begin looking at the broader role the DOT would most likely play. The question of whether public-private sector partnerships will emerge from Portway remains to be answered. As the state gets smarter in its management role, it is very possible.

Former Congressman Robert Rowe, sometimes referred to as "Mr. ISTEA," was able to get included in the

TEA-21 legislation funding for a university-sponsored center that will examine and promote international intermodal corridor development. We are negotiating with the center to prepare background information in the areas of economic development and modeling. We also have a partnership with the North Jersey Transportation Planning Authority, which is very important because they are the local MPO responsible for preparing the transportation improvement plan in which the Portway projects need to be included. They also conduct their own brownfield studies, in which DOT partnered with them to maximize local economic development partnerships.

We have several projects of independent utility under way—about $90 million worth of projects out of the $750 million Portway project that will take place over the next couple of years. These projects include the Doremus Avenue and Doremus Avenue Bridge improvement, and the Port Authority–sponsored Express Rail improvements. We also have guaranteed in the Turnpike budget that monies are set aside and available for a new freight-focused access to the port.

Another key immediate challenge is a financing plan. As we get further into this, we realize this will have to be a partnership. Initial thinking is that we need to establish goals among the partners. A hypothetical goal, for example, would be 40 percent state funding, 40 percent federal support from loans and grants, and a 20 percent local and private sector contribution. For example, the Conrail Way, which would be a private access to the Croxton railroad yard, could be supported by the railroads directly or through fees for access along that specific route.

Another important key factor will be proactive community outreach. We have done a fairly good job in dealing with the establishment in New Jersey, the trade associations and the Governor's office, in establishing support for the project. We have used various means to let the locals know about it and we have had some meetings aimed at avoiding potential conflicts that may develop with local projects. We are about to finish up the concept development for phase one and begin concept development for phases two and three; therefore, the time has now come in our process to become very proactive in community outreach.

Broad benefits are possible from Portway. One of the most beneficial aspects is that it can reclaim brownfields to save greenfields and grow new jobs. What is important is that it also allows New Jersey to concentrate its distribution facilities in one area, thus reducing the distance that trips are traveling and the amount of energy that is used. It puts an economic development engine in an area where employment is still very much a real concern. Portway improvements can energize existing businesses and attract new industries such as remanufacturing.

Portway is critical access for the 21st century. It will provide a truck route to relieve congestion. It will be an intermodal freight corridor to support economic development and create jobs. It has the solid support of the governor and was mentioned in the state of the union address last year.

Portway is a marrying of interests. We have something old—the infrastructure that needs to be improved. We have something new—new bridges, new accesses to the turnpike, new flyovers to Express Rail at the port. We have something borrowed—more than likely it will be the money required to cover a lot of these costs and some of the projects that are already under economic development. We have something blue—the people who are operating out there in the corridor under current constrained conditions. We hope a partnership will produce a happy marriage and show proudly for the state of New Jersey, the region, and the country. Thank you.