

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: January 29, 2014

Reference No.: 4.21
Action

From: ANDRE BOUTROS
Executive Director

Subject: **CALIFORNIA FREIGHT MOBILITY PLAN AND NATIONAL PRIMARY FREIGHT NETWORK UPDATE**

ISSUE:

Caltrans will provide a presentation on the California Freight Mobility Plan (CFMP) development and draft comments prepared in response to the proposed National Primary Freight Network (PFN).

Should the California Transportation Commission (Commission) provide comments on the CFMP currently being prepared by Caltrans? Should the Commission provide comments to the U.S. Department of Transportation on the proposed PFN?

RECOMMENDATION:

Staff recommends that the Commission provide comments, if any, on the CFMP process and direct staff to prepare a letter for transmittal to Caltrans.

Staff also recommends that the Commission direct staff to transmit the attached letter to the U.S. Department of Transportation regarding the proposed PFN. The letter includes recommendations for the:

- Inclusion of all freight modes in the PFN.
- Expansion of the proposed 27,000 centerline miles to close gaps and missing segments.
- Consideration of seasonal freight routes.
- Creation of a national freight funding program.
- Collaboration with other states.
- Reduction to proposed ten-year PFN updating cycle.

BACKGROUND:

California Freight Mobility Plan (CFMP)

Caltrans is required, under Section 14036 of the California Government Code, to prepare a ten-year State Rail Plan updated biennially and which must contain both a passenger element and a freight element.

Moving Ahead for Progress in the 21st Century (MAP-21) requires the U.S. Department of Transportation to “encourage” each state to develop a freight plan that provides a comprehensive plan for the immediate and long-range planning activities and investments for the State with respect to freight. MAP-21 also encourages each state to establish a freight advisory committee consisting of a representative cross-section of public and private sector freight stakeholders to participate in the development of that plan.

Assembly Bill (AB) 14 (Lowenthal, Chapter 223, Statutes of 2013) requires the California State Transportation Agency (CalSTA) to prepare a state freight plan in compliance with the relevant provisions of MAP-21. The state freight plan must also provide a comprehensive plan to govern the immediate and long-range planning activities and capital investments of the state with respect to the movement of freight. Additionally, the bill requires CalSTA to establish a freight advisory committee representing a cross-section of public and private sector freight stakeholders, including representatives of ports, shippers, carriers, freight-related associations, the freight industry workforce, the Commission, Caltrans, the Public Utilities Commission, the State Lands Commission, the State Air Resources Board, regional and local governments, and environmental, safety, and community organizations. Pursuant to AB 14, the state freight plan is due to the Legislature, and the Governor, and certain agencies by December 31, 2014, and updated every 5 years thereafter.

By delegation from the Business, Transportation and Housing Agency (now CalSTA), Caltrans assumed the responsibility of producing the CFMP and forming and facilitating the California Freight Advisory Committee (CFAC).

Caltrans Division of Transportation Planning is currently developing the CFMP, an update to the Goods Movement Action Plan (GMAP). Similar to the GMAP, the CFMP will address current freight conditions, identify important trends, and respond to major issues in goods movement across all modes and regions of California. In addition, the updated plan will respond to a number of contemporary issues in terms of community impacts, trucking, new legislation, regional differences and linkages, and greenhouse gas emissions reduction strategies.

The CFMP will revisit and, as appropriate, renew the underlying GMAP goals to promote economic growth, encourage job creation, and increase mobility, while enhancing public safety and security and addressing the environmental challenges of moving goods via the State’s highways, railways, airports, and seaports.

National Freight Network

Pursuant to MAP-21, the U.S. Department of Transportation Secretary shall establish a National Freight Network to assist States in strategically directing resources toward improved system performance for efficient movement of freight on highways, including national highway system, freight intermodal connectors and aerotropolis transportation systems.

On November 19, 2013, the U.S. Department of Transportation published in the Federal Register the draft initial designation of the highway PFN request for comments. Comments were initially due December 19th; however the comment period was initially extended thirty days to January 17, 2014, and subsequently extended to February 15, 2014. Caltrans Division of Transportation Planning has been coordinating with the CFAC in the drafting of comments to the U.S. Department of Transportation.

The National Freight Advisory Committee (NFAC) was established under the authority of the U.S. Department of Transportation, in accordance with the provisions of the Federal Advisory Committee Act (FACA), as amended, 5 U.S.C., App. 2. The objective of NFAC is to provide information, advice, and recommendations to the U.S. Secretary of Transportation on matters relating to freight transportation in the United States and the implementation of the freight provisions of MAP-21.

Attachment 1: Draft Letter to U.S. Department of Transportation

Attachment 2: Draft California's National Freight Policy Recommendations

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January 29, 2014

Docket Management Facility
U.S. Department of Transportation
1200 New Jersey Avenue, SE, W12-140
Washington, D.C. 20590-0001

RE: Federal Highway Administration (FHWA, [Docket No. FHWA-2013-0050]); Designation of the Primary Freight Network

Dear Sir or Madam,

The California Transportation Commission (Commission) appreciates the importance that MAP-21 has focused on the efficient movement of goods to ensure our nation's prosperity and protect our environment. In particular, we appreciate the multifaceted efforts of the United States Department of Transportation to guide the development of a National Strategic Freight Plan. At this time, the Commission welcomes this opportunity to comment on the proposed designation of the Primary Freight Network (PFN).

Our freight moves on a system of systems and we recommend a continual focus on an integrated, comprehensive multi-modal network. As currently defined, the PFN is limited to highways and not representative of a "typical freight move". Furthermore, the Commission believes that the statutory cap of 27,000 centermiles is too restrictive to create a unified PFN. This statutory cap results in numerous gaps and missing segments in California, and thus not a continuous freight network. Many of these gaps and missing segments constitute the "first and last mile" connections to primary freight facilities, such as seaport, airports, intermodal yards, and border ports of entry. As an alternative, the more comprehensive 41,000 centerline miles plan identified by the U.S. Department of Transportation (U.S. DOT) during the PFN process would address the majority of gaps and missing segments.

Also within California there are several freight routes that have seasonal peak traffic such as in the agricultural and extractive industry regions. California's Central Valley, the Central Coast

and the North State are nationally and internationally significant exporters of agricultural, forest and mineral products. The freight mileage on these routes, averaged over an entire year, do not meet the PFN threshold yet still accommodate high numbers of truck traffic during the limited planting, harvesting, extraction and processing seasons. These regions are currently not represented under the proposed 27,000 or the conceptual 41,000 mile PFN. Any increase in the centerline miles of the PFN needs to include a provision for these seasonal freight routes. This is particularly important as we work to achieve our nation's goal of doubling our exports within 5 years.

The Commission supports FHWA's goal of strategically directing resources toward improving system performance for the movement of freight. The designation of a National Freight Network (NFN) is an important step towards achieving this goal, particularly if federal resources are specifically directed for the NFN. Critical to the success of the national freight program will be a substantial and sustainable funding source afforded protections to ensure that such funds are directed solely for the intended purposes and not stockpiled or circumvented for non-freight related programs or projects.

Additionally, it is important that the NFN is developed through strong collaboration between states. The Commission urges a more holistic approach looking at freight corridors that reach beyond the confines of individual state lines in order to provide an effective and seamless freight network.

Given the dynamic nature of trade and e-commerce, the proposed ten-year PFN update cycle limits the ability to respond to shifting trends in national and international trade patterns. In order to address this issue, the Commission recommends the updating cycle be reduced, or at a minimum, provide an amendment process that enables states to request and receive approval for PFN changes between ten-year updates.

The stability of California and the national economy is directly linked to providing a robust and reliable freight network which includes a comprehensive network of highways, railroads, ports, air cargo, and border ports of entry. The identification of the PFN moves the state and the nation in that direction; however action is necessary to create an integrated multimodal system and to ensure that sufficient and sustainable funding is secured to implement and maintain a successful national freight network. The Commission appreciates the opportunity to comment and will continue to look for future opportunities to collaborate.

Sincerely,

JAMES C. GHIELMETTI
Chair

cc: Commissioners, California Transportation Commission
Senator Mark DeSaulnier, Chair, Senate Transportation Committee
Assembly Member Bonnie Lowenthal, Chair, Assembly Transportation Committee
Brian P. Kelly, Secretary, California State Transportation Agency
Vince Mammano, Division Administrator, Federal Highway Administration
Malcolm Dougherty, Director, Department of Transportation

California's National Freight Policy Recommendations

The national transportation program, Moving Ahead for Progress in the 21st Century (MAP-21), encourages states to develop state freight plans that are consistent with national guidance. Such guidance was needed and now that the plan development process is underway, states and the Federal Government can plan for coordinated actions to improve the efficiency, reliability, sustainability, and safety of the entire freight system while working toward eliminating impacts to communities and the environment.

In an increasingly competitive world, it is vital that the United States have an integrated, continually improving freight transportation system that is well maintained and operated. However, without a long-term, dedicated funding mechanism that generates new revenue and does not appropriate transportation funds from other programs, the state and national freight plans cannot be implemented, regardless of how innovative they may be. The reauthorization of MAP-21 must create a freight program that includes substantial new funding that is allocated on performance-based criteria.

California is the unparalleled trade gateway to the Nation, which is evidenced by the State having the highest concentration of goods movement dependent industries and associated employment in the country (e.g., transportation and warehousing, retail trade, manufacturing, construction and wholesale trade). The State is one of the 10 largest economies in the world with a gross state product of over \$2 trillion. As a global trade leader, freight is critical to the State's economy and by extension, California's freight based economy is critical to the national economy. Federal freight policies must be responsive to California's position as an international trade leader that:

- handles more than 40 percent of all the waterborne, containerized cargo entering the nation;
- processes more than \$665 billion in two-way trade value annually;
- has the most extensive supply chain in the nation, encompassing manufacturing, retail and wholesale trade, construction, transportation, and warehousing sectors;
- generates 600,000 direct jobs at our seaports, airports and border crossings, and 1.6 million logistics jobs in the Southern California region alone; and
- supports more than 3 million logistics jobs throughout the nation from containerized trade.

California's commitment to improving its freight system is unmatched in the U.S. In 2006, voters approved a set of transportation state bond programs that included the \$2 billion Trade Corridors Improvement Fund (TCIF). The TCIF program is implementing approximately 70 high priority freight projects with a value in excess of \$6 billion in total private and public funding along key trade corridors that serve State, national, and international trade. These investments include seaport, railroad, international land border crossing, and highway truck projects. California is already heavily investing its funds to improve the State's freight transportation system and attracting substantial private and public matching funds. We strongly encourage the Federal Government to follow our example and invest more in the national freight transportation system.

Despite the critical importance of freight movement to our country's economy, there are impacts to local and regional economies, environment, and communities that must be mitigated simultaneously when making freight system improvements. Therefore, improving and sustaining the freight system is not only about system reliability, efficiency, safety, and job creation, it is also about stewardship of communities and the environment as freight is processed in and moved through those communities and the State.

Impacts from an inadequately funded and maintained freight transportation system have broad consequences from damage to vehicles using highways with poor pavement quality, travel time delays, lost productivity, higher greenhouse gas (GHG) emissions, reduced delivery time reliability, increased transportation costs, reduced competitiveness, loss of business investments, and an extensive list of additional negative impacts that compound over time. Without a program of strategic investments to adequately fix and maintain the existing freight system, expand capacity, employ new technologies, increase efficiency, and reduce impacts to communities and the environment, U.S. productivity and global competitiveness will suffer, consumer costs will increase, and trade investments will lag. A new Federal funding program must be established to address freight mobility, on all modes. The new funding program would incentivize state and local investment and leverage the widest array of public and private financing. The program must focus on the freight system as a whole, rather than viewing the Nation's transportation infrastructure as several different systems that occasionally interact.

Create a Federal Freight Funding Program

Under the next transportation reauthorization, it is critical that a dedicated, sustainable, and flexible freight funding program that includes a firewall against off-system uses be established. This should be in addition to, not in lieu of, existing transportation funding programs. Below are recommendations on funding sources and principles for the Federal freight program.

- **Potential Funding Sources**

- A dedicated funding stream, linked with a new Freight Trust Fund, paid for by all users of the freight system.
- Explore options to incentivize private investment. Some possibilities are increased use of public-private partnerships or offering special-purpose tax credit bonds.
- Support and explore all potential sources of funding, innovative financing tools (like credit programs, qualified tax credit bonds, and tax code incentives), and leveraging opportunities at all levels and sectors.

- **Principles for the Federal Freight Program**

- Utilize performance-based criteria for allocating funds. Funding should be allocated efficiently, in a way that guarantees the highest return on each dollar spent, and ensures that allocation intended to improve goods movement and reduce its impacts are actually directed towards that purpose. Funds should be dispersed through a competitive, performance-based process, rather than by formula.
- Target funding to key national priority freight corridors and the full set of multi-modal facilities associated with the corridor.
- Environmental and community impact reduction projects should be eligible for funding under the freight program.
- Priority should be given to zero-emission and near zero-emission freight projects and projects that mitigate both regional and local environmental impacts from freight.
- Priority should be given to projects which will maintain and utilize existing infrastructure to sustain and grow the throughput, velocity, efficiency, and economy of freight

movement. Prioritizing in this manner will build upon critical investments already made by states, local agencies, and their private sector partners.

- Priority should be given to projects which are located in states and local jurisdictions that have adopted rules, regulations, incentives, and operating agreements which will necessarily provide for higher levels of environmental benefits, particularly with respect to air quality and GHG emissions. Prioritizing in this manner will encourage broader adoption of such measures and reward states and local jurisdictions that have taken a leadership role in addressing impacts from freight movement.
- To the maximum extent possible, expend revenues generated from any new user fees in the corridors where they are collected.
- To ensure that the Freight Program is sustainable for the long term, funding sources should ensure that alternative fuel vehicles also pay a fair amount for using the freight system.

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General Funding Recommendations

- Balance the Highway Trust Fund. Whether through user fees, enhanced, and/or indexed fuel tax increase, tolls, pricing, or any combination of measures. Do not continue to deficit finance our nation's transportation infrastructure.
- The California Freight Advisory Committee echoes the National Freight Advisory Committee's unanimously approved recommendation to pass legislation that will ensure that the Harbor Maintenance Tax is utilized for its intended purpose - to keep the nation's harbors and channels dredged and maintained at their maximum authorized depth for the safe shipping of commerce. In recent years, more fees have been collected than expended and the Harbor Maintenance Trust Fund contains a significant surplus. At the same time, there is a growing backlog of dredging needs throughout the nation's harbors, including California harbors.
- Identify options for levying user fees on those beneficiaries of trust fund investments who do not currently contribute to the Harbor Maintenance Trust Fund. These include commercial fishing vessels and private recreational craft that pay no fees, as well as domestic freight carriers.
- Evaluate the potential benefits of altering the Harbor Maintenance Trust Fund tax in such a way that a portion of the tax would be levied based on ship volume instead of only cargo value, thereby adapting to the costs associated with larger ships. Currently, only port authorities and governments cover these costs, as they alone are responsible for channel deepening, equipment replacement, and dock renovations.
- Preserve and build upon the Projects of National and Regional Significance program, which has been a significant source of funding for freight movement infrastructure improvements.
- Replace the 12% Federal Excise Tax on the purchase of new freight equipment with an equivalent increase in Federal Diesel Fuel Taxes so that the funding shift is revenue neutral. Transitioning freight equipment and truck fleets to low emission and zero-emission models is

expensive on an individual unit and fleet basis. Adding the 12% Federal Excise Tax substantially increases the purchase cost and discourages private investment in deploying new technologies. For the equipment or truck operator, it is often more economical to continue using old, higher polluting models for their full life-cycle, then to turnover the equipment for new, low emission models. The tax structure should support, not hinder the transition to a cleaner, more efficient freight industry.

- Allow revenue generating activities at publicly owned rest and truck stops on the National Highway System (NHS) with generated funding reinvested in maintenance, operations, rehabilitation, mitigation, and expansion of rest and truck stops in the state on the NHS.
- Create a funding program for shortline railroads for capital improvements such as improved grade crossings, track gauge upgrades, locomotive retrofits to meet air quality requirements, and other improvements.
- Specify that federally recognized Native American tribal governments are eligible recipients of federal freight transportation funds.

National Freight Network Recommendations

The parameters for the National and Primary Freight Network (PFN) set by MAP-21 are not adequate to identify the nation's complex, dynamic, and connected freight network. Below are recommendations for consideration during the next reauthorization.

- Do not set a mileage limit for the next iteration of the PFN. Forcing the network to adhere to an arbitrary mileage limit leads to significant network gaps and leaves out vital freight corridors and facilities. Goods move across the country on a complex, interconnected network which should be reflected in the PFN, without gaps. For the highway system, the result would be similar to the 41,518 centerline mile network identified in the draft released on November 19, 2013.
- Use a corridor focus that identifies the full set of associated multi-modal facilities. It is important, not only to California but to the entire nation, that the PFN adequately reflect the intermodal movement of freight trucked from docks to rail for long haul to the rest of the nation. For the cargo, each mode is a component of a multi-national, multi-state linked trip.
- Update the National Freight Network every five years. Given the complexity of the movement of goods and its dynamic nature, it would be prudent to re-evaluate the Primary Freight Network more frequently than every ten years.
- Create an amendment process for the PFN that enables states to make interim adjustments. With the approval of the U.S. Department of Transportation, enable states to address necessary changes between the 10-year updates. Nationally, there will likely be numerous instances where a previously designated PFN segment is no longer appropriate due to highway relocation or shifts freight travel patterns.
- Establish a methodology to establish urban freight corridors and network segments that puts states in the lead role of making such determinations.

- Either eliminate the 25% threshold for truck volumes for the designation of Critical Rural Freight Corridors or create an additional measure that uses Average Annual Daily Truck Traffic (AADTT). California has many rural highways with high truck counts and also high automotive counts. The large number of automobiles dilute the truck percentage even though AADTT may exceed 3,000 – 5,000 but not reach the 25% threshold. With California’s extensive agricultural sector and focus on row and tree crops, there are large numbers of agriculture related trucks on rural highways.
- Create a Critical Rural Freight Corridor designation mechanism that takes into account seasonal truck volumes. Many rural highways have very high truck counts and percents at certain times of the year serving the agricultural, forestry, and extractive industries. But during other times, truck counts and percents are quite low on those same highways. Averaged over a year, the highway does not meet minimum thresholds, though the thresholds may be met for many months of the year.
- Add a component to the Critical Rural Freight Corridor designation that addresses the need to provide freight access to federally recognized Native American Tribal Government lands.
- Expand the Primary Freight Network to reflect all its modes. Include major seaports, maritime navigation channels connecting to seaports included in the PFN, railroads and major intermodal yards, air cargo airports, commercial border ports of entry, and other key freight facilities.

Community and Environmental Impact Reduction Recommendations

The freight industry, while providing essential jobs for community residents and being a critical component of the larger economy, generates negative community and environmental impacts in terms of health, noise, glare, vibrations, air quality, water quality, traffic congestion, and infrastructure degradation. Freight planning and funding must address these issues as part of developing a sustainable freight transportation system on a project-by-project basis and at the programmatic level.

- In addition to the existing national air quality requirements, include GHG reductions as a goal of the national freight program and make projects that achieve a specified level of GHG reduction eligible for an enhanced federal funding share.
- Create a separate federal railroad grade separation program targeted to rail lines on a newly-designated primary freight rail network. Focus on crossings with the highest vehicle delays and crashes.
- Create a truck parking program to increase parking opportunities so that trucks do not have to park in neighborhoods, on freeway ramps, and other locations that impact communities and create various social and environmental problems.