

# Investing in Marine Transportation System (MTS) Infrastructure

Presented to:

River of Trade Corridor Coalition

March 2, 2007

By

Gill V. Hicks

President, Gill V. Hicks and Associates, Inc.

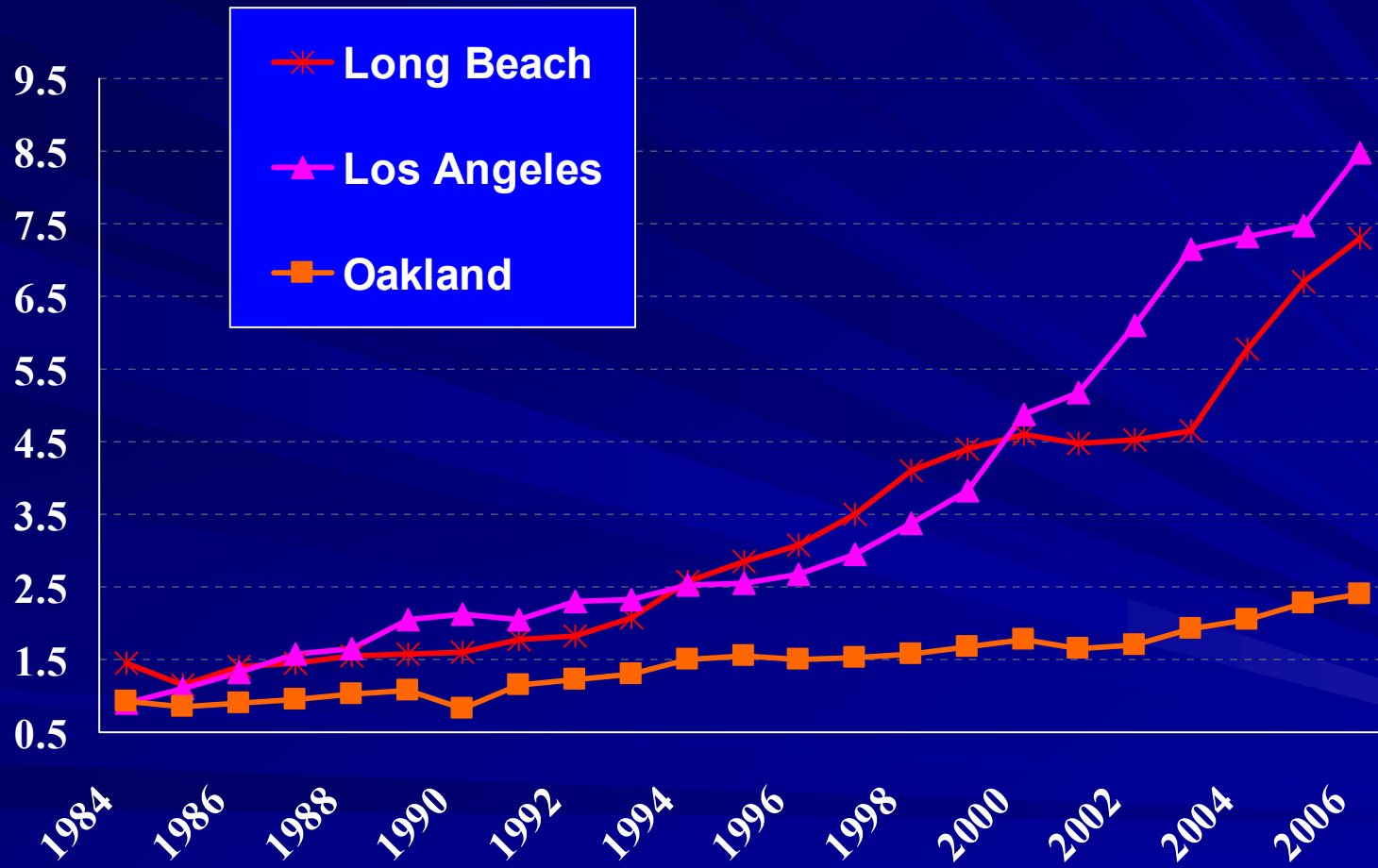
Chairman, CALMITSAC

# Overview of CALMITSAC

- Regional affiliate of the national MTS advisory council established by Secretary Mineta.
- Over 30 members representing industry, government, and academia.
- Mission: To foster development of a Marine Transportation System in California that is safe, secure, efficient, environmentally sound, and capable of expanding to meet the demands of the global economy.



# Container Traffic at California Ports 1984-2006 (Millions of TEUs)



# “Can’t divert our way out”

Cargo Projections in Millions of TEUs

	San Pedro Bay Ports	Port of Oakland
2006 actual	15.7	2.4
2010	19.7	3.0
2020	36.0	6.0
2030	42.5	6.5

# Waterfront Coalition White Paper May 2005

“Regardless of efforts to develop alternative West Coast gateways, Los Angeles and Long Beach will remain the primary entry points for eastbound imports into the U.S.”



# Cleaner Trucks, Reduced Truck Trips, Better Use of Existing Capacity

- Increase turnover of truck fleet
- Clean fuels
- On-dock and near-dock rail
- Virtual Container Yard
- Extended gate hours



# MTS Needs Compared to 2005 TEU Volume

Region	Cost (\$Millions)	% of Total	2005 TEUs (Millions)*	% of Total
Southern CA	\$16,861	83%	14.3	86%
Northern CA	\$2,991	15%	2.3	14%
Central CA	\$487	2%	0	0%
Total	\$20,339	100%	16.6	100%

\* Source: AAPA

# Proposition 1B: \$19.925 Billion

- \$2 billion for trade corridors infrastructure
- \$1 billion for trade-related emissions reductions
- \$100 million for port security
- \$4.5 billion for corridor mobility improvements
- \$2 billion in new STIP funding
- \$1 billion for SR 99
- \$200 million for school bus retrofit
- \$4 billion for public transit
- \$1 billion for state-local partnership program
- \$1 billion for transit safety and security
- \$125 million for local bridge seismic retrofit
- \$250 million for railroad grade separations
- \$750 million for SHOPP funds
- \$2 billion for local streets and roads

# LA/LB High-Priority Projects

Project	Lead Agency	Cost (millions)	BT&H Prop 1B
Gerald Desmond Bridge	POLB	\$800	\$160
Navy Way Interchange	POLA	\$40	\$0
SR-47 Expressway	ACTA	\$557	\$111
I-110 Connectors	POLA	\$134	\$0
Ports Rail Systems	Ports, ACTA	\$631	\$0
<b>TOTAL</b>		<b>\$2,162</b>	<b>\$271</b>

# Costs of Rail-Related Projects and BT&H Recommendations for Prop 1B Allocations (20% Funding)

Project	Cost	BT&H Prop 1B
Grade Separations	\$3.46 B	\$691 M
Mainline capacity	\$2.11 B	\$422 M
On-dock Rail	\$631 M	\$0 M
Near-dock Rail	\$300 M	\$60 M
Colton Crossing	\$280 M	\$56 M

# Unfunded Trade Mandate

- U.S. policy: reduce barriers to trade.
- Promote international commerce and jobs growth.
- Trade supports 1 in 7 jobs in California and over 2 million jobs nationally.
- Federal government has not provided sufficient funds for international gateways to cope with the surge in cargo through its ports and airports and along its roads and railways.

# Federal Government Must Pay Its Fair Share

- Compensate gateways for the disproportionate costs borne locally and regionally for the economic benefits and goods movement services provided to the rest of the nation.
- Establish appropriate levels of federal funding support, as well as provide further opportunity for flexibility in the use of federal funds.

# Private Sector Must Pay Its Fair Share.

- “Self-help” public-private funding arrangements will be the best way to complete the financing for critical projects.
- While private ownership of facilities may be one way to bring private resources to the table, it is not the only way and should not be preferred over equally viable public-private financing mechanisms.

# Need Negotiated User Fees

- CALMITSAC strongly endorses efforts to negotiate user fees for infrastructure and environmental mitigation projects.
- Fees should be negotiated by goods movement stakeholders in each region.
- Projects that have successfully negotiated shared public-private funding arrangements should be rewarded by receiving higher priority in the allocation of federal and state funds.

# Public-Private Funding Negotiations: Keys to Success

- Consensus on what to build, funding shares, method of payment
- Legal authority
- Stable revenue stream
- Funding firewalls and sunset clauses
- Appropriate allocation of risk
- Cost and schedule control
- Experienced project management
- Product orientation not process orientation
- Focused agency mission
- Clear decision making authority

# Conclusion

- Proposition 1B = Greater urgency
- Negotiate plans of finance for key projects.  
(Failure to reach consensus = choosing the “do nothing” alternative by default.)
- Can't do everything for everyone.
- Establish priorities: focus on a few success stories and be willing to fund them.
- All sectors must contribute.