

Exploring a Regional Freight Authority- Outlining Near-Term CMAP Activities to Support Implementation of GO TO 2040

Introduction and Purpose

The purpose of this document is to provide an overview of the topics that a Taskforce would review in making a recommendation to the CMAP Board regarding the potential establishment of a Regional Freight Authority, identified in GO TO 2040 as an institutional means of delivering enhanced freight mobility to the region. As a challenging issue of public policy, it makes sense to explore the regional freight authority question via a Taskforce setting, where a diverse group of business, government, and other regional stakeholders can engage in a structured discussion around materials and analysis produced by CMAP staff. CMAP has recent experience in managing such a group— the Regional Tax Policy Taskforce—which reached consensus on a final document and recommendations for the CMAP Board’s consideration.

Taskforce Selection Process

In early 2013, the CMAP Board should consider and advise staff on the membership and functions of a broad-based Taskforce to investigate potential freight institutional designs. The Taskforce would report directly to the CMAP Board. Ideally, the group should include representation from business (including the core functions of trucking, rail and other key sectors of the freight supply chain), state and local government, and civic organizations. In line with CMAP’s mandate, the geographic scope should concentrate on northeastern Illinois, but also acknowledge that freight is a truly multi-state issue.

The Taskforce will consider broad questions of freight investment prioritization, revenues, and the institutional framework for improving freight mobility and providing a regional voice to advocate for freight investment. The materials provided to the Taskforce will address distinct elements of these questions, and culminate in a final report and recommendation to the Board in early-mid 2014.

Primary Research Questions

Consistent with GO TO 2040, CMAP calls for a multi-modal and adequately financed freight transportation system in Northeastern Illinois. CMAP further identifies gaps in regional leadership along with ongoing and structural gaps in transportation revenue as fundamental problems facing the region. These problems are oftentimes exacerbated by a lack of performance-based decision making about transportation investments. GO TO 2040 recommends that CMAP investigate the potential for a Regional Freight Authority, that would finance investments in freight mobility and provide regional leadership on freight issues.

In CMAP's view, a comprehensive exploration of this issue requires a focus on the following questions:

1. Why is regional freight mobility important to the future economic success of the Chicago metropolitan region?
2. How is regional freight policy and mobility treated in other U.S. metropolitan areas?
3. What are the performance expectations of the regional freight system? How do these expectations differ from existing conditions?
4. How can the gap between existing performance and expectations be closed?
5. What are the potential sources of revenue and how much is needed to close this gap?
6. How could a regional freight authority actually be designed?

The remainder of this document is organized around these six themes, and presents an initial cut of how CMAP staff might present some of these issues to a Taskforce.

Why is Regional Freight Mobility Important to Northeastern Illinois?

Freight movement in Northeastern Illinois is vital to the regional and national economy. Providing hundreds of thousands of jobs and indirectly supporting many more throughout the region, freight and logistics industries are a key component of the region's industrial base. Over the course of several decades, however, the transportation system of the Chicago metropolitan area has ranked among the most congested areas in the United States. Besides inconveniencing passenger travel, congestion has severely impacted the flow of goods into, through and out of the region, slowing down the speed of business and driving up costs for consumers, producers and carriers.

Investment in regional freight infrastructure, like investment in passenger transportation infrastructure, has lagged the capital costs of maintaining existing facilities or adding new facilities as necessary. Between inflation and improved mileage through CAFE standards, a considerable capital infrastructure funding gap will continue to widen between 2007 and 2035, with the National Surface Transportation Policy and Revenue Study Commission estimating a 2.3 trillion dollar gap, nationwide, over that period. Within the region, CMAP estimates that current revenue sources will be barely sufficient to maintain and operate the current system we have, and modernization, "state of good repair", and expansions will require considerably more investment.

With limited public investment in freight rail, the American Association of Railroads estimates that 450 million tons of freight, 15 billion vehicle miles traveled and an additional \$10 billion in highway costs would be added to the highway system each year¹. Although MAP-21 has taken some limited steps toward a national freight policy, there is still no dedicated national source of funding for freight infrastructure.

¹ Association of American Railroads. 2007. National Rail Freight Infrastructure Capacity and Investment Study

Given the expanding demand for freight services and the dependence of the national economy on freight, there is a substantial public stake in financing freight infrastructure. Without changes to policy, operational improvements and strategic capital investment, the existing freight infrastructure will not be able to handle future growth in freight volume and may damage the country's prospects for economic growth.

How is Regional Freight Mobility Treated in Other Regions?

This phase of the Taskforce process will draw on various case studies exhibiting national best practice in freight governance. While the examples differ in mandates, structure, management, and selection, they share a common theme of bridging public agency and private business interest to bring freight projects to completion. Four potential case studies are the Freight Mobility Strategic Investment Board in Washington State, the multistate Heartland Corridor, the Alameda Corridor in Los Angeles, and Kansas City's KC SmartPort.

CMAP staff's goal for this section will be to provide existing proof of concept applications of freight governance from across the United States to the Taskforce. Potentially supplemented with guest speakers from those agencies, the Taskforce will be able to consider other operational models in making a recommendation to the Board on an institutional framework.

What are the Performance Expectations of the Regional Freight System?

GO TO 2040 identifies, in very broad terms, the need for an adequately funded multimodal freight transportation system but does not provide a detailed description of what that system would look like or would deliver in terms of system performance. Detailing the "preferred condition" of the freight mobility system provides a basis for benchmarking performance against expectations and links specific freight mobility objectives to regional transportation and economic development goals.

Defining the Preferred Condition for Freight Mobility

A preferred condition for freight mobility can be defined by a level of system of performance that optimizes the use of existing and strategically planned infrastructure and right-of-way. Such an outcome requires clear project prioritization, development, and delivery, which requires a clear institutional focus on freight that communicates the link between projects, operational improvements and the freight system, imparting political visibility to the issue.

The particular institutional arrangements that can best deliver political visibility and a voice for the logistics cluster in legislative and policy environments remain somewhat subjective. However, system performance can be measured and forecasted through traffic data collection

and modeling. A preferred condition could be specified in performance terms by setting goals, such as “by 2040, average hours of delay will have decreased by 30 minutes over currently forecasted conditions.”

Measuring the impact of progressively more comprehensive investment packages in projects, as suggested in the Cambridge Systematics Freight Study for CMAP, will provide a frame of reference for recommending outcomes. Using internally developed investment scenarios and looking at cost effectiveness (improvements to various performance indicators by investment scenario and evaluated on a benefit-cost basis) staff will present a “best in show” potential preferred freight system in terms of quantitative performance differences from existing conditions.

How Can the Gap between Performance and Expectations Be Closed?

Developing alternatives to current freight delivery practices in the region requires analysis of how a gap in revenues can be filled to fund an efficient freight delivery network and how a gap in the institutional environment can be filled to deliver the funding and leadership support that freight network needs. .

The Revenue Gap in Capital Investment

Evaluating what it will take to close the gap in capital investment will require several steps. The first step is taking the “best in show” investment scenario (described in section 3) and similar high impact scenarios and developing cost estimates for each scenario in total. This cost estimate, spread over a long range planning period, becomes a working financial goal. CMAP has developed cost estimate techniques in reviewing projects in the past and can apply this methodology to these scenarios. The second step is an analysis of current and forecasted spending levels. The revenue gap is the difference between current spending levels and the financial need identified in the first step. This analysis will provide a ballpark estimate of future need.

The Institutional Gap: Transparency and Performance Based Programming

Leadership in transportation requires the ability to provide resources and a framework for deploying those resources in a manner that strengthens public faith in the decision making process. That faith requires that the process for distributing resources be fair but goal oriented, transparent, continuous, and extends the reach of the region’s ability to advance economic goals without duplicating or unnecessarily displacing existing relationships.

In an era of increasingly constrained resources for the transportation system, it is vital that projects be selected for funding based on transparent, defensible criteria. The use of performance measures in the evaluation and selection of transportation projects improves the accountability of public investments and the credibility of public agencies. Any freight authority in northeastern Illinois should base its investment decisions on a data-driven analysis of each project’s impacts, and seek to marry this quantitative analysis with a deliberative, open public process.

What Are the Potential Sources of Revenue?

Among the functions the freight governance structure may have is to provide funds for capital projects. Because political support for raising revenues will depend on knowing both how much revenue is needed but what the potential revenue mechanisms are and their forecasted availability, this section considers the potential sources of revenue for freight mobility.

Revenue mechanisms and forecasting revenue

Even with operational improvements, there remains a need for a package of strategic investments in improving terminal access and capacity expansion. With competing and growing demands for transportation investment funds, new revenues will be required for capital investment. As a user-fee based transportation system, new revenues must pass a variety of tests (nexus and statutory criteria), customary perceptions of equity in which new revenues do not, unintentionally, shift carriage modes, and administrative and technical feasibility.

The Taskforce will consider selected revenue methods in greater detail. These include the following:

- Truck-Only Toll Lanes (TOT)
- Container fee
- Transaction fee
- A Regional Permit Clearinghouse
- Raising Sales Taxes and Vehicle Registration Fees
- Regional Motor Fuels Tax
- Freight activity and value taxes
- Vehicle Miles Traveled, Ton-Mile Tax and Congestion Charges

Using methods established in other CMAP research projects, a forecast will be developed for each revenue source. The Taskforce will evaluate each revenue source against criteria of how much revenue would be generated, the technical feasibility of regional implementation, a short analysis of nexus and statutory status, the enforceability of the source and the extent to which these fees have been developed or tested elsewhere.

How would a Regional Freight Authority be Designed?

Having explored the dimensions of the institutional gap, including its leadership and functional characteristics, and coming to some tentative conclusions about the need for revenue and its preferred sources, the Taskforce should consider which institutional arrangements can most effectively achieve the preferred freight mobility condition.

The Taskforce will consider a range of scenarios to enhance regional freight mobility performance. Each scenario will consider how different institutional models might fill the needs of raising the political visibility of freight, articulating its preferred performance outcomes, the financial gap between capital needs and available resources and how those resources would be

used. For example, one scenario may detail what an economic development oriented organization devoted to freight but without project delivery functions would do to enhance freight mobility. Another scenario may detail an institutional setting that both 'speaks for freight' and also funds and delivers capital projects.

Weighing the pros and cons of each scenario, the Taskforce will identify the most appropriate institutional and revenue model to enhance the freight mobility system. The framework for considering each of the potential aspects of scenarios will incorporate Taskforce discussion about the relative importance of each potential institutional function, and an exercise in which the Taskforce members use interactive voting tools to select the best package of functions and general orientation of the freight institution.

In the closing stages of the Regional Freight Authority analysis, staff will present a working model of the Freight Governance Institution to the Taskforce. With feedback from the Taskforce, the model will be refined and presented to the CMAP Board for its consideration.