



THE STATE OF FREIGHT III

Rail Access + Port Multimodal Funding Needs Report



EXECUTIVE SUMMARY

Our national multimodal supply chain begins with ports. As a hub for rail, barge, trucks and perhaps someday drones, our nation's ports are the best illustration on how a multimodal freight network can and must work if we expect to address our nation's increasing freight volumes while delivering on the demands of a growing population.

Seaports play a critical role to our economy and national transportation infrastructure by delivering vital goods and services, creating jobs and supporting local and national economic growth. Seaports require a healthy and robust infrastructure system because they connect American farmers, manufacturers, and consumers to the world marketplace.

As a key component of the supply chain and a major facilitator of trade to the nation, seaports rely on critical connections within the supply chain to get goods that consumers rely on to market. Seaport cargo activity supports the employment of more than 23 million people in the U.S. and its cargo activity accounts for more than a quarter of the U.S. GDP. The impact of our seaports is astounding.

However, increasing freight volumes and a growing population compound the necessity for efficient and reliable port connections. Of all the connections to ports, rail provides a unique, efficient and speedy method of moving cargo out of congested areas to distribution centers.

In this **State of Freight III – Rail Access and Port Multimodal Funding Needs Report*** (SOF III) we continue to delve into the issue of freight movement and port multimodal needs with an emphasis on rail access which requires greater focus. While the Fixing America's Surface Transportation (FAST) Act has been essential in providing the building blocks for a national freight program, more must be done to ensure that multimodal projects have adequate resources to leverage timely, efficient results.

The FAST Act's balanced approach of formula and discretionary funding is ideal but we also must ensure that access to these funds is not hampered by unnecessary or complicated requirements or limited funding. For example, of the \$11 billion authorized in the FAST Act for freight investment, only \$1.13 billion was eligible for multimodal projects—and this amount has already dwindled to \$275 million after several rounds of FAST-LANE and Infra Grants have been awarded. Ports need a multimodal funding source to sustain investments in their critical freight infrastructure.

In this SOF III report, U.S. AAPA port members identify more than \$20 billion in projected multimodal port and rail access needs in the next decade. Further, a third of ports have identified pressing rail project needs that cost more than \$50 million. In fact, rail access is so important to the port industry and supply chain that within the next ten years, 77 percent of ports are planning on-dock, near-dock or rail access projects.

Ports and their private sector partners are already investing \$155 billion over the next five years in their terminals including expansions, infrastructure investments and rail. In many cases these projects are waiting on their government partners to invest in the connections outside the gate that are under their jurisdiction. Because of the importance of rail and multimodal connections to the nation, the federal government must take a closer look at addressing the barriers to improved access and funding.

*All AAPA stateside U.S. Corporate members responded to this survey and follow up questions.



Multimodal Funding is Critical for Ports and the Nation

Multimodal funding has taken on a greater relevance in recent years because of seismic population shifts to metropolitan areas where many ports are located. Additionally, projects are becoming more complex, integrating freight flow demands with passenger needs on both the highway and rail networks. With growing populations and rising freight volumes, rail access has been one of the vital tools in moving large volumes of freight to distribution centers outside major population centers.

Increasingly, multimodal funding has been used to connect rail not only to ports but also to distribution centers in the hinterlands. Multimodal funding has also been used for projects on marine terminals in instances where funding isn't readily available under the Highway Trust Fund (HTF) criteria. Because seaports represent a vital economic engine of our national economy, meeting the multimodal needs of U.S. ports is the foundation for allowing the nation to reach its full economic potential.

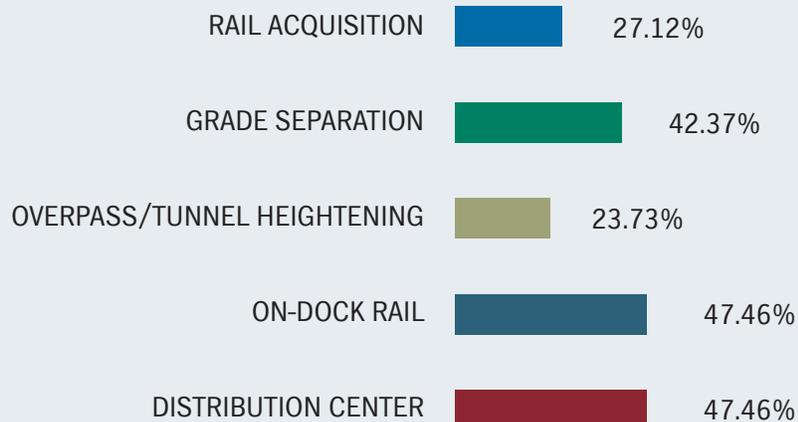
Improved Rail Access Would Increase the Cargo Throughput of Ports

Because rail access has become such a vital component of our multimodal infrastructure, many ports are looking to incorporate or rely more heavily on rail for efficiently moving cargo. Improved rail access would allow ports to handle a wider range and volume of cargo. Ports are looking to incorporate rail into their day to day operations and long-range planning but will require federal partnerships to make these a reality.

Because of these demands and evolving freight network challenges, SOF III reveals 80% of AAPA ports are seeking better rail access. In fact, 43% of ports say that better rail access would add more than 25% throughput capacity through their ports. 90% say that better rail access would help meet these growing demands and secure new cargo. Many ports also said that projects are needed to build connections to Class I railroads or markets in the interior of the country where consumers depend on goods coming through seaports to the heartland.

In SOF III, 93% of AAPA ports reported having some type of rail access; specifically, 69% identified having on-dock rail access and 72% had near-dock rail access. Another 15% cited that they have some kind of "other" rail access. However, even if a port has rail access, market forces are demanding that rail access be better coordinated, more efficient and more readily available to keep up with rising freight volumes and to meet increasingly tight timelines to accommodate customer and consumer expectations for just-in-time and overnight shipping.

WHAT ARE YOUR PRESSING RAIL PROJECTS/NEEDS?



Overcoming Barriers to Realizing Improved Port Rail Access

Though the need is apparent and the benefits are clear, rail access projects continue to face barriers to completion. Some of the issues include:

67%

of ports report that funding and financing options are the biggest initial obstacles in getting port rail access projects started.

37%

say that problematic at-grade crossings or height restricted overpasses and tunnels within or near ports currently constrain capacity.

36%

report that land acquisition is also a big problem in developing and planning port rail access projects.

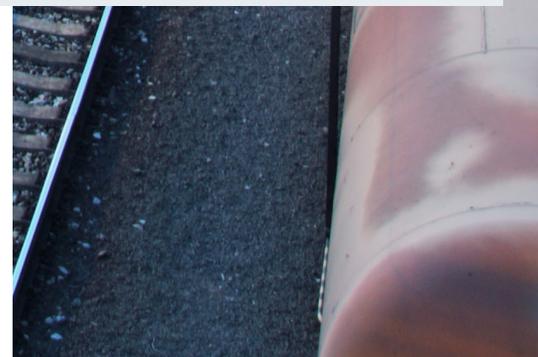
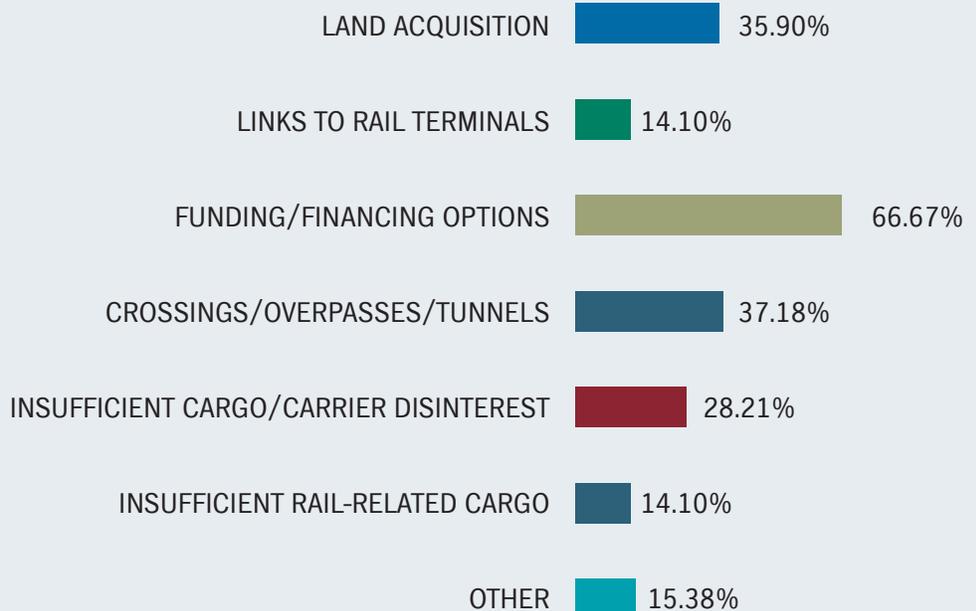
Because 67% of AAPA members cited that funding is a top issue for implementing rail access projects, we asked AAPA members about financing options and in particular, we asked about their experience with the Railroad Rehabilitation & Improvement Financing Program (RRIF) and other U.S. Department of Transportation (DOT) financing programs. RRIF provides direct loans and loan guarantees up to \$35 billion to finance development of railroad infrastructure, of which \$7 billion is reserved for non-Class I freight railroads (funding that could be available for port on-dock rail and other projects). Only 13 % of ports have utilized the RRIF financing programs. This may be due to what has been reported as a difficult application process. Ports expressed a sense of frustration navigating the program.

Over the past several years, AAPA members have expressed a desire to revamp the RRIF program to make it easier to finance on-dock rail and other freight transportation infrastructure projects. They have also indicated a desire that the RRIF program provide a capital grants aspect to work in tandem with its financing program to assist in facilitation and leveraging private sector capital. Further, more ports said they would utilize the RRIF program if the RRIF loans could waive the credit risk premium fee or had a credit subsidy like the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. Additionally, AAPA ports were asked if RRIF loans were easier to access with 100 % financing, how many RRIF eligible projects would your port potentially have? Ports identified 75 potential TIGER (or BUILD) projects that could be financed by RRIF if access to the program and 100% financing was available.

On a more positive note, the TIGER/Build program has been beneficial for port rail access projects. DOT has reported that 49% of Transportation Investment Generating Economic Recovery grants (TIGER) awarded to ports have been rail access or on-dock rail projects.



WHAT ARE THE GREATEST BARRIERS FOR YOUR PORT TO HAVE IMPROVED RAIL ACCESS?



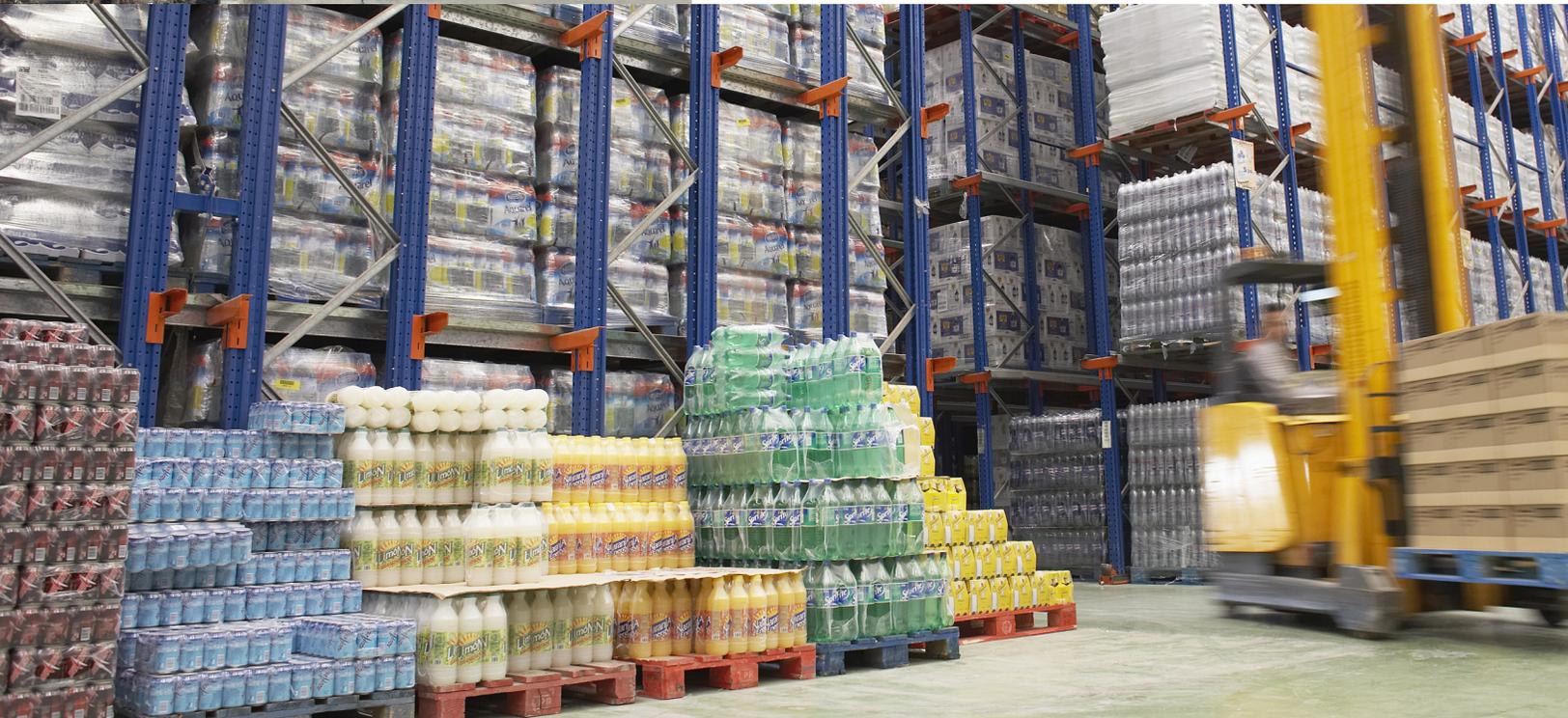


Working with States to Create an Integrated National Freight Network

Across the U.S., the advent of state freight planning has helped ports and states to coordinate more closely. As states increasingly recognize ports as a vital part of the national supply chain and freight network, state freight plans are incorporating a much more strategic outlook, yielding deeper partnerships, more accountability and shared efficiency.

In particular, 36% of ports are planning for projects beyond the gate. These ports are reporting partnerships and direct connections with inland ports to shore up their distribution lines. 43% of ports report their identified rail projects are included in their state freight plans submitted to USDOT, and 37% said that their rail projects are on their Statewide Transportation Improvement Programs (STIP). This coordination supports a national port rail infrastructure network that handles 266 million tons and nearly 45 million containers on an annual basis.

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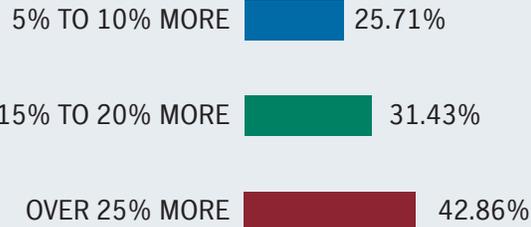
Conclusion

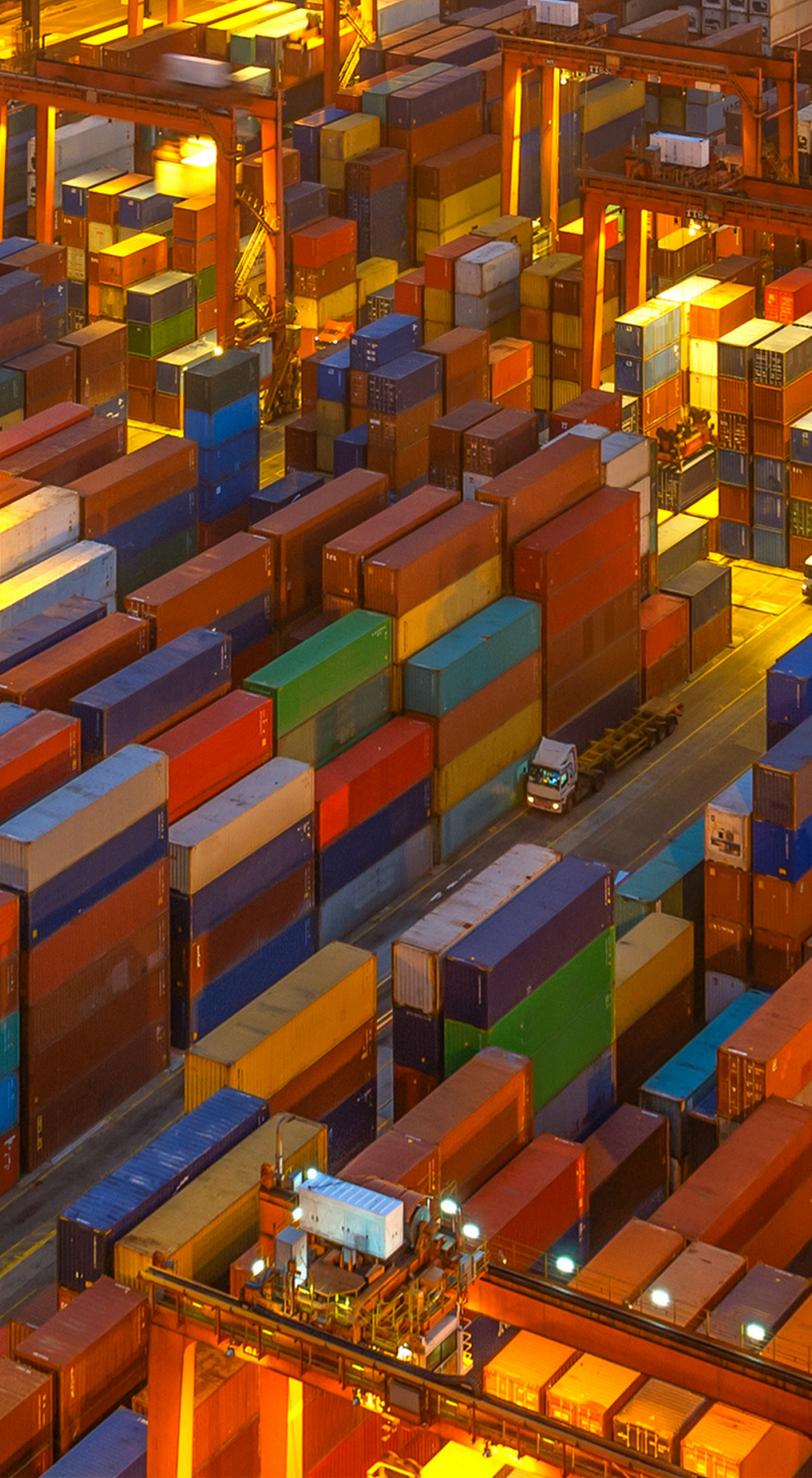
There is no question that our national multimodal supply chain begins with ports. Building a 21st century multimodal freight network that will enable us to compete globally and deliver locally is critical. However, without reliable connections into and out of our nation's seaports the transportation system cannot work well. A healthy multimodal transportation system requires investment, however, some of the current programs to help provide federal investment are creating barriers to progress and improvement.

Increasing freight volumes and a growing population compound the necessity for efficient and reliable port connections. Rail provides a unique, efficient and speedy method of moving cargo out of congested areas to distribution centers and should be part of our future planning.

The good news is that with 93% of ports reporting some form of rail access, the nation has a huge opportunity to improve existing connections and infrastructure, to increase cargo throughput and improve the economy. Ports have identified projects ready for investment and could move forward with these projects in the near term if the issues in this report can be addressed. A first step is to take a closer look at the barriers indicated in the report that are preventing these projects from being completed.

HOW MUCH ADDITIONAL THROUGHPUT CAPACITY COULD BE ADDED TO YOUR PORT WITH IMPROVED RAIL ACCESS?





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