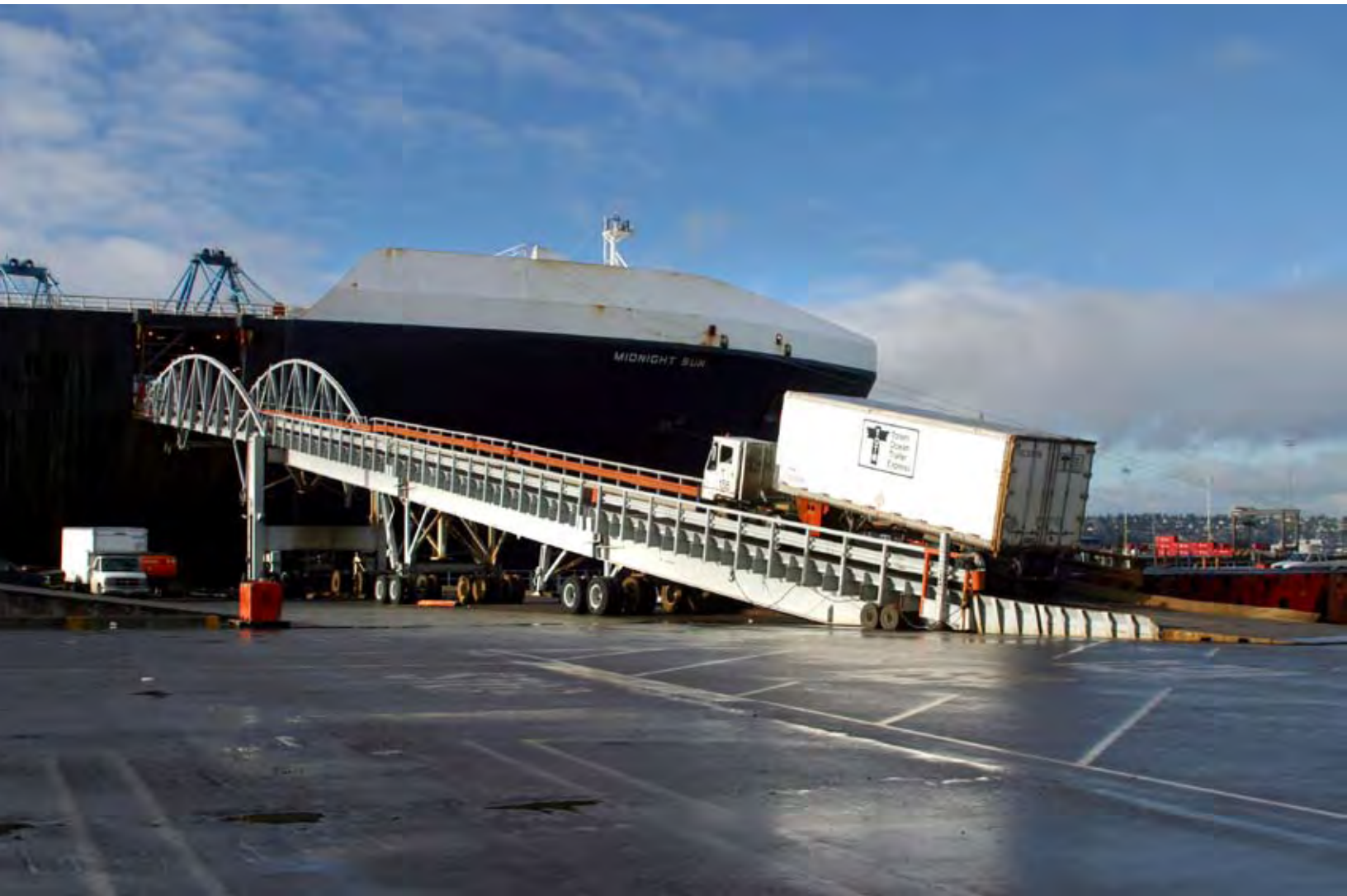
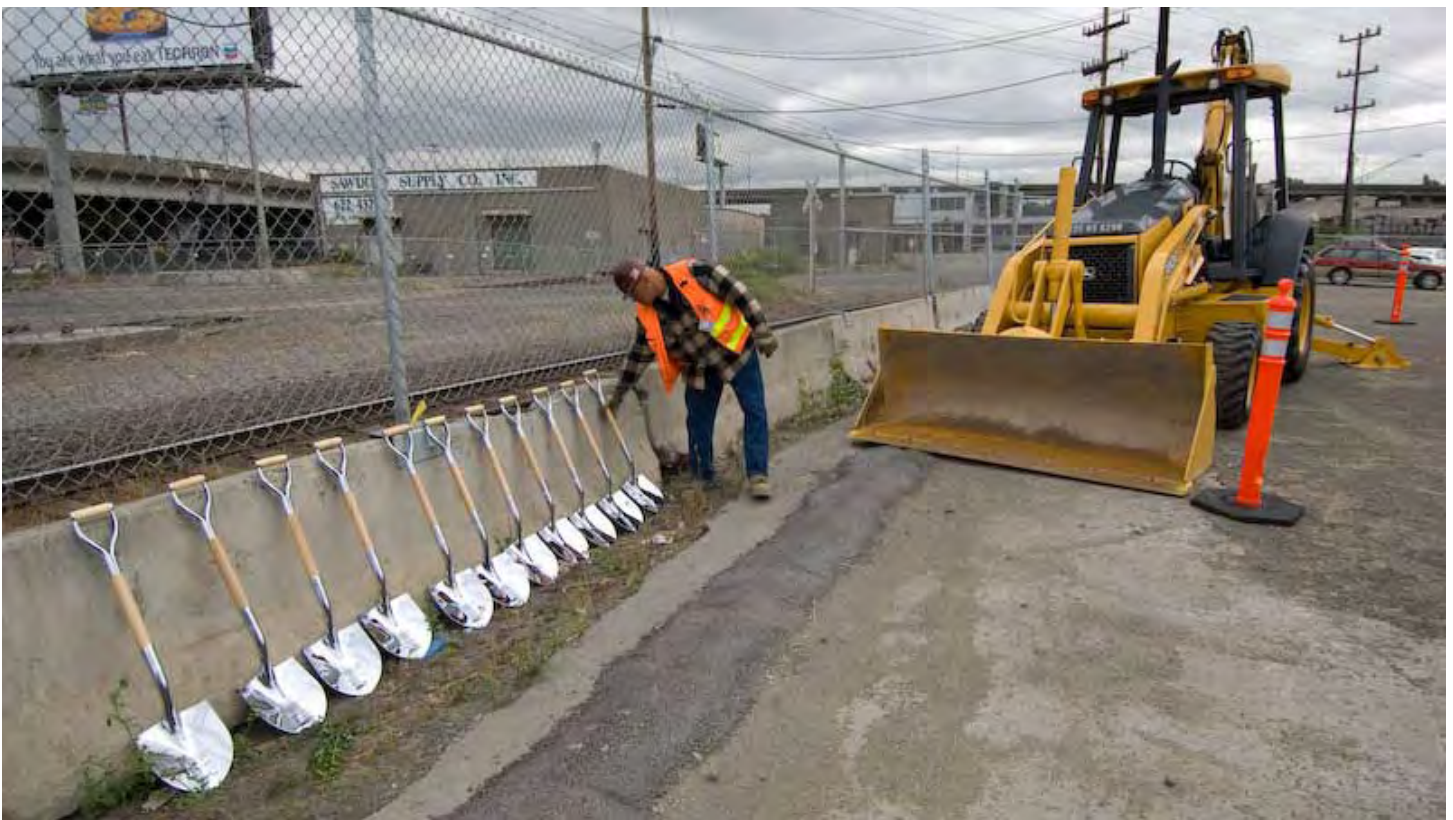


Delivering Freight Projects FOR WASHINGTON STATE

State of Washington
Freight Mobility Strategic Investment Board
2007 Annual Report





2007 Freight Mobility Strategic Investment Board Members

Patricia Otley

Chair
Citizen Representative

Jim Toomey

executive director, Port of Pasco
Port Districts Representative

Steve Holtgeerts

president, Hogland Transfer Company, Inc.
Trucking Representative

Clifford Benson

retired, Westwood Shipping Lines
Steamship Representative

Jill Satran

policy adviser, Office of Financial Management
Governor's Representative

Terry Finn

director of government affairs, BNSF Railway
Railroad Representative

Brian Ziegler

director of public works and utilities, Pierce County
County Representative

John Creighton

commissioner and president, Port of Seattle
Port Districts Representative

Dave Gossett

chair, Snohomish County Council
County Representative

Rebecca Francik

councilmember, City of Pasco
City Representative

Dennis Hession

mayor, City of Spokane
City Representative

John Gray

executive director, interline, Union Pacific Corporation
ex-officio member

Leveraging Funds AND FORGING PARTNERSHIPS



Dear friend of freight mobility,

As the Freight Mobility Strategic Investment Board (FMSIB) enters its tenth year of delivering freight projects to the citizens of Washington State, it is a good time to look back, not only on the past year, but on the past nine years of FMSIB's work. I am struck by the outsize achievements of such a small agency, in disproportion to our numbers. With only two full-time employees, FMSIB relies on staff and board members alike to carry out its mission.

After reviewing FMSIB's record of on-time and under-budget projects, and also being aware that FMSIB is one of the few agencies to actually return money to the state treasury each biennium, I can say proudly that FMSIB carries out its mission very well indeed. With support from the legislature and governor, in the ten years since its creation, FMSIB has brought 29 projects to completion, gotten 17 additional projects underway, and obtained funding for 13 projects, and partial funding for two additional projects.

The keys to FMSIB's extraordinary success in getting projects built? We leverage funds, and we forge partnerships.

In an era of strong competition for fewer transportation dollars, FMSIB has been a key player and broker for freight projects. With a narrow focus on Washington's designated strategic freight corridors, FMSIB is able to select from a winnowed list of qualified projects. In many instances, the availability of FMSIB funding has made the difference in whether or not a project is able to move forward to construction.

But we do not stop once the project has been funded. Our staff and board members keep a keen eye on the projects that we have funded, and ensure that these projects are in construction within one year. In order to do this, we forge partnerships, across jurisdictions, and across modes. Our board members, who represent all aspects of freight—carriers, ports, government, and communities—are able to resolve complex issues dealing with rights-of-way, jurisdictional authority, design, environmental issues, and other elements of a project that could be potential obstacles. We know of no other state agency that is able to leverage not only funding but its board's expertise and professional relationships to ensure that projects get built on time and within budget.

We are therefore proud that, in the ten years since FMSIB's founding, \$74,597,448 in FMSIB dollars has leveraged \$247,457,273 in partnership funding. Further, each one of our dozens of projects represents an innovative partnership, whether in funding, cross-jurisdictional agreement, or intermodal cooperation.

However, in spite of these successes, we have only begun to improve Washington's ability to compete with other states and countries for our share of the growing international trade. We now move into a new era with new challenges and opportunities that are global in their scale, yet affect us directly in Washington. Among them are increased security at port facilities, border crossings, and vessels; the state of transportation infrastructure; growth in the Asian economies, and in Asian trade; increased competition with other West Coast ports, from British Columbia to Panama; the need to reduce our carbon footprint; and traffic congestion at and near ports, and on freight shipping corridors.

If you ever wonder why freight matters to you, consider that: as a legislator, you know that Washington is the most trade-dependant state in the Union, and that we must remain competitive nationally and internationally, in order to keep our economy strong, providing the tax revenues that freight mobility delivers, and jobs for Washingtonians; as a resident, our projects minimize the impacts of freight moving through your community, making your commute faster, and your neighborhood safer and quieter; as a consumer, fast and efficient freight movement keeps down the cost of goods movement, and therefore the cost of goods you purchase.

As we begin our next ten years, FMSIB will continue to build upon its achievements and successes, through our unique ability to leverage and to form partnerships. We look forward to working with our freight partners, as well as our legislative and policymaking partners. In the coming decade, FMSIB will continue to be a linchpin in Washington's global economy, monitoring trends and ensuring that our strategic freight corridors keep freight flowing freely to, and through, Washington.

A handwritten signature in black ink that reads "Patricia Otley". The signature is fluid and cursive.

Patricia Otley

Chair



FMSIB Board members and sponsors of projects on Washington's freight corridors discuss funding with Senator Patty Murray during the FMSIB March Congressional meetings. From left: Shauna Larsen (Seattle), Karen Schmidt (FMSIB), Councilmember Rich Wagner (Auburn), Snohomish County Councilman Dave Gossett (FMSIB), Dick Dorsett (Fife), Andrew Johnsen (FMSIB and BNSF), Senator Patty Murray, Pati Otley (Chair, FMSIB), Brian Ziegler (FMSIB and Pierce County), Mayor Mike Deal (Puyallup), Stephanie Bowman (Port of Tacoma), Henry Yates (Port of Seattle), John Mercer (Spokane), Larry Ehl (WSDOT).

Washington's Strategic Freight Corridors

RCW 47.06A.010 defines a "strategic freight corridor" as a transportation corridor of great economic importance within an integrated freight system that:

- (a) Serves international and domestic interstate and intrastate trade;*
- (b) Enhances the state's competitive position through regional and global gateways;*
- (c) Carries freight tonnages of at least:
 - (i) Four million gross tons annually on state highways, city streets, and county roads;*
 - (ii) Five million gross tons annually on railroads; or*
 - (iii) for facilities to be built in the future, new links to strategic corridors that enhance freight movement may qualify, even though no tonnage data exists.**

All of FMSIB's funded and proposed projects are located on identified strategic freight corridors throughout Washington State.

Delivering Freight Projects FOR WASHINGTON STATE

State of Washington Freight Mobility Strategic Investment Board 2007 Annual Report

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FMSIB Mission

The mission of the Freight Mobility Strategic Investment Board is to create a comprehensive and coordinated state program to facilitate freight movement between and among local, national and international markets, which enhances trade opportunities. The Board also is charged with finding solutions that lessen the impact of the movement of freight on local communities.

Washington's economy is very dependent upon trade and reliant on our ability to compete in a global economy. To remain competitive we need to move our products and goods efficiently. The State's economic competitiveness depends on the efficiency of the multimodal transportation system for the movement of freight.

The Board will propose policies, projects, corridors and funding to the Legislature to promote strategic investments in a statewide freight mobility transportation system. The Board will also propose projects that soften the impact of freight movement on local communities.

FMSIB Goals

- Optimize freight mobility by reducing barriers on Washington's strategic freight corridors.
- Take a leadership role informing the public regarding freight mobility transportation needs and issues.
- Cooperate and coordinate with public and private transportation partners to find cost effective solutions.

Delivering Freight Projects FOR WASHINGTON STATE

Executive Summary

The Freight Mobility Strategic Investment Board (FMSIB) has provided funding for freight mobility projects and technical assistance for project sponsors and advocates since 1998. FMSIB consistently delivers projects, on time and within budget, that do what they are intended to do: eliminate chokepoints and grade crossings, so that freight can move smoothly, and communities experience fewer disruptions in local traffic.

FMSIB is represented by high-level industry and regional stakeholders, who direct the agency's activities. One of FMSIB's practices is that its funded projects must be ready to go to construction within twelve months of receiving funding. In order to accomplish this with each of its projects, FMSIB leverages funding, builds partnerships, and provides technical assistance and negotiation skills.

As a state agency in a state that is heavily involved in trade, FMSIB must keep abreast of regional, national, and international trends affecting freight delivery and mobility. 2007 has been a turbulent year in the global economy, with continued strong growth in Asia, as well as historic lows in the value of the U.S. dollar against international currencies, and near-record prices for fuel, all of which will impact the delivery of freight to and from Washington.

In Washington, the state legislature has directed a study for funding and financing freight investment and infrastructure. Washington's ports are more discretionary than other Pacific Coast ports, as a large percentage of goods shipped through Washington ports travels outside the region. There is a growing recognition that, in order to be competitive with other container ports, in the western United States, as well as with ports in British Columbia, Mexico, and Panama, Washington's container ports must remain attractive and accessible to shippers who could relocate to other ports.

FMSIB funding enables freight to keep moving in Washington State, helps Washington's ports to remain competitive and keeps Washington products competitive in the international marketplace. FMSIB's project selection criteria, rigorous project reporting, proactive technical assistance, and its "twelve-month rule" illustrate the program's accountability and performance. Eight FMSIB-funded projects broke ground in 2007, with another eight scheduled to get underway in 2008. Five projects were completed this year. All told, there are now 17 active FMSIB-funded projects underway throughout the state. With a total project value of nearly \$500 million, FMSIB's \$80 million investment represents a leveraging of over five times its dollar value for each of these freight mobility projects. In 2007, FMSIB has recommended an additional 13 projects for funding in future years.

Leveraging funding is one of FMSIB's key strengths. Another is the ability to build partnerships, across jurisdictions and across modes, in order to move projects forward and keep freight moving. With increased awareness of "freight mobility" among local officials and laypersons, not to mention its importance in the state's economy, FMSIB is able to bring representatives from a variety of industries, agencies, and levels of government to the same negotiating table in order to overcome obstacles and arrive at freight mobility solutions along the state's many strategic freight corridors. FMSIB has become the linchpin connecting the various interests of freight mobility in Washington. As it does each year, FMSIB board members in 2007 went on site visits statewide, met with cargo owners, ports, and the modal representatives, held board meetings across the state, and met with legislators in both Olympia and Washington, D. C.

FMSIB's members also kept busy schedules in 2007, and reported progress. The two principal freight railroads both saw overall growth in the volume of freight carried in Washington. BNSF Railway was particularly strong in agricultural commodities, consumer products, and industrial products. For the Union Pacific, all commodities, particularly agricultural commodities, showed strong growth in 2007. Both BNSF and UP have added to capacity in the past year, by investing in new equipment and technology, and by improving the velocity of existing locomotives and railcars. For both railroads, FMSIB-funded grade-separation projects have improved rail traffic flow, decreased conflicts, and improved safety.

Barge traffic along the Columbia, Snake, and other rivers and waterways, kept apace in 2007. Barges continue to be a major component in the movement of grain across the state, to grain terminals and container ports. Another key link in the supply chain, the trucking industry, is facing both institutional and freight mobility challenges. Institutional challenges include a nationwide driver shortage, and

FMSIB is not just another body that determines how to spend the government's money. FMSIB gains legitimacy because its members bring freight stakeholder expertise to the table when determining where money is best invested. Because the board is both public and private, some of the private and quasi-public agencies also invest in these projects, displaying both confidence and an interest in seeing that successful projects are built.

Executive Summary



BNSF RAILWAY

a potential change in Federal rules on driver hours of service. The key freight mobility challenge that the trucking industry continues to face is the growing number of driver hours wasted in traffic, particularly in the Puget Sound region. Coming up with robust solutions is essential for the industry, with FMSIB as a partner on resolving freight mobility chokepoints.

In Kalama, Longview, Pasco, Vancouver, Walla Walla, and other non-container ports, cargo traffic continued to grow, while the state's two primary container ports, the Port of Seattle and the Port of Tacoma, experienced flat growth in volume this year, after significant growth in the last five years. The Port of Vancouver is on target for a 21% jump in cargo tonnage, thanks to new facilities to handle that growth, as well as the purchase of the largest mobile harbor crane in North America. Vancouver's growth areas are in aluminum, steel, copper concentrate, and lumber.

Both Puget Sound ports focused this year on expansion of facilities and other capital projects. The Port of Tacoma began work on a 168-acre expansion of its facility, and the Port of Seattle is spending over \$100 million to open a new container terminal and relocate a cruise ship terminal. Both ports were heavily involved with FMSIB-funded and other partner projects to improve freight mobility on and near their properties. The Lincoln Avenue grade separation, Port of Tacoma Road interchange improvements, and the D Street overpass were all underway in 2007. In Seattle, the East Marginal Way grade separation broke ground in 2007, as did an improvement on SR 518 eastbound near Sea-Tac Airport. In addition to roadway improvements, both the Port of Seattle and the Port of Tacoma invested in environmental improvements in 2007. The two ports, along with the Vancouver Ports Authority in Canada, adopted the Northwest Ports Clean Air Strategy, which envisions significant reductions in diesel emissions by 2010.

While FMSIB's primary mission is to keep freight moving along Washington's strategic freight corridors, FMSIB member agencies are keenly aware of the importance of environmental stewardship. From ports to railroads to the trucking industry, FMSIB-member agencies and transportation modes have taken voluntary steps to reduce emissions, improve air quality, restore wildlife habitats, and other actions that will have long-term benefits to our environment.

The Voice of Freight FOR WASHINGTON STATE

The Freight Mobility Strategic Investment Board

With a mission of creating a comprehensive and coordinated state program to facilitate freight movement between and among local, national and international markets, FMSIB has provided funding for projects and technical assistance for project sponsors and advocates all across the state of Washington for the past nine years. FMSIB's corollary mission is to lessen the impact of freight mobility on communities. We have consistently delivered projects, on time and within budget, that do what they are intended to do: eliminate chokepoints and grade crossings, so that freight can move smoothly, and communities experience fewer disruptions in local traffic.

FMSIB:

- funds projects that eliminate chokepoints and grade crossings, enabling various modes of freight to move quickly and efficiently to their destinations.
- funds projects that are ready to go to construction within twelve months of receiving funding.
- leverages funding from a variety of sources to assemble a complete project.
- builds partnerships to deliver projects, advocates for freight in project planning, brokers projects across a variety of interests and jurisdictions to achieve a common goal, provides technical assistance to ensure projects stay on schedule.
- operates on a lean budget with a small staff, yet gets the job done, returning funds to the state treasury each biennium.
- has a volunteer board of high-level industry and regional stakeholders, who direct the agency's activities, select projects, and establish policy. Our board members have a direct interest in seeing that projects are built on time and within budget.



Breaking ground for the **Port of Vancouver's** rail access and track extension project are Jim Toomey (FMSIB rep); Terry Finn (BNSF Railway); Larry Paulson (Port of Vancouver); Nancy Baker (Port of Vancouver Commissioner); U.S. Senator Patty Murray; Arch Miller (Port of Vancouver Commissioner); Royce Pollard (Mayor of Vancouver); Cager Clabaugh (President, ILWU Local 4); Brian Wolfe (Port of Vancouver Commissioner).

PORT OF VANCOUVER

INTERNATIONAL

The economy has always had its ebbs and flows, but 2007 was a stomach-churning year around the world: fuel prices continued their rise to record levels, the US mortgage crisis bloomed into a full-scale worldwide credit crisis, and the value of the US dollar sank to record lows against common international currencies. Economists, bankers, and policy makers will sift through these trends to determine their long-term impacts on the economy, and those of us concerned with the delivery of freight will keep an observing eye on the financial and policy outcomes. Meanwhile, the need for fast and efficient delivery of freight has not diminished in 2007. Moreover, freight in Washington state has more reasons to double its efforts to ensure its competitiveness in the world.

All-water routes between North America and Asia will remain extremely competitive. The unrelenting growth of the Asian economy, in particular the Chinese economy, was a topic of world conversation in 2007. China is expected to have the world's largest economy by 2050. U.S. import and export trade with China will continue to dominate freight flows through West Coast ports. However, the slowly-growing economies of Western Europe will lessen demand at some U.S. Atlantic and Gulf Coast ports. Some of this capacity will be absorbed by trade with the rapidly expanding economies of India, Russia, and Brazil, which will displace some freight that now moves from the Pacific Rim through West Coast ports and overland by rail to East Coast markets.

Climate change remains a hot topic on the world's agenda, not only for potential environmental impacts and the response of nations and industries, but also, intriguingly for the freight community—the potential opening of a northwest shipping passage above the Arctic Circle.

Fluctuating energy costs may also impact freight volumes. Energy is a larger part of the total cost of air and truck transportation than it is of rail or water transport costs. Dramatic increases in energy costs could alter the traditional movement of freight. These energy costs can also impact the mode split of shipments entering and departing port facilities.

SUPPLY CHAIN TRENDS

Constant pressure to improve the speed and efficiency of supply chains has led to nearly continuous experimentation and innovation. Current trends include:

- Landside infrastructure investments. Shippers are investing in infrastructure to handle “pull” supply chains by investing in additional warehousing, deconsolidation, and transfer facilities in and around port areas.
- Empty container repositioning. Imports continue to outpace exports, leading to a demand for empty containers to be filled with finished products and ultimately returned to the U.S. Shipments of empty containers grew by 6.4 percent to 2.3 million TEUs in 2006. To reduce costs associated with repositioning and shipping empty containers, some shippers are considering investing in disposable containers.
- Changes in Mexico's maquiladora industry. Maquila manufacturers have begun to take advantage of their proximity to major U.S. markets by encouraging North American customers to custom order with short turnaround times (24-48 hours), allowing them to compete more effectively with lower-cost Asia-based manufacturers. This strategy has increased shipments of raw materials from Asia to Mexican ports, and has encouraged some shippers to pack containers in Asia for direct delivery to U.S. stores, eliminating the cost of repacking for final delivery.¹

NORTH AMERICA

From British Columbia to Panama, Washington's container ports will continue to face competition from other Pacific Coast ports. In 2007, the Port of Prince Rupert, British Columbia came on line with the first phase of its expanded container port (see box on the facing page). Other nations operate by different rules, so Washington must keep changing its game to remain competitive in this environment. Closer to home, Los Angeles/Long Beach remains a strong competitor for cargo. In the southern California ports, a large percentage of the goods shipped to those ports remains within the California basin as its ultimate destination. Washington's two container ports are more discretionary: only 30% of cargo remains within the region, and 70% is shipped elsewhere. The California legislature considered a container fee in its 2007 legislative season, but ultimately tabled the measure. In Mexico, more than \$700 million has been invested in port development since the late 1990s, particularly at the ports of Manzanillo and Lazaro

¹ From a memorandum to the West Coast Corridor Coalition Goods Movement technical committee, by Cambridge Systematics, August 13, 2007.

"Freight terminals do not create freight traffic, consumers create freight traffic. Even if you take away freight terminals, you still have to address freight traffic."

Lars Karlsson

Managing Director, Copenhagen Malmö Port

Freight Trends and Events

With the Canadian National high-capacity rail mainline right outside its door, no urban congestion near its docks, and the deepest harbor in North America, the Port of Prince Rupert is sizing up to be a formidable competitor to Washington's container ports. Located in northern British Columbia, the port is coming on line in autumn 2007 with a capacity of 500,000 TEUs, and eventual expansion to 2 million TEUs (approximately the same capacity as Seattle's and Tacoma's ports.) As the closest port to Asia, and the nearest to open ocean, the Port of Prince Rupert will be one to watch in the coming years.



The Port of Prince Rupert, British Columbia

Cardenas along the Pacific coast. Manzanillo is Mexico's busiest seaport, connecting Asian manufacturers with Eastern U.S. markets and handling approximately 1 million TEUs annually. Manzanillo is planning to invest \$150 million to double its docking capacity, container storage, and transfer space through the development of a new terminal at Laguna de Cuyutlan. The Port of Lazaro Cardenas is currently investing \$290 million to expand its capacity to 2.5 million TEUs (up from 180,000 today).

The Panama Canal Authority is undertaking a \$5.25 billion expansion project that would involve the construction of two lock facilities (one on each side of the canal); the excavation of new access channels to the new locks and widening of existing channels; and the deepening of the existing navigation channels. Construction is expected to begin in 2007 and the new set of locks would begin operation by 2015. In addition to these significant infrastructure investments, the Panama Canal Authority has developed strategic partnerships with key United States ports, including the Port of Houston, to boost trade through the canal. This would be the largest expansion in the canal's 93-year history.

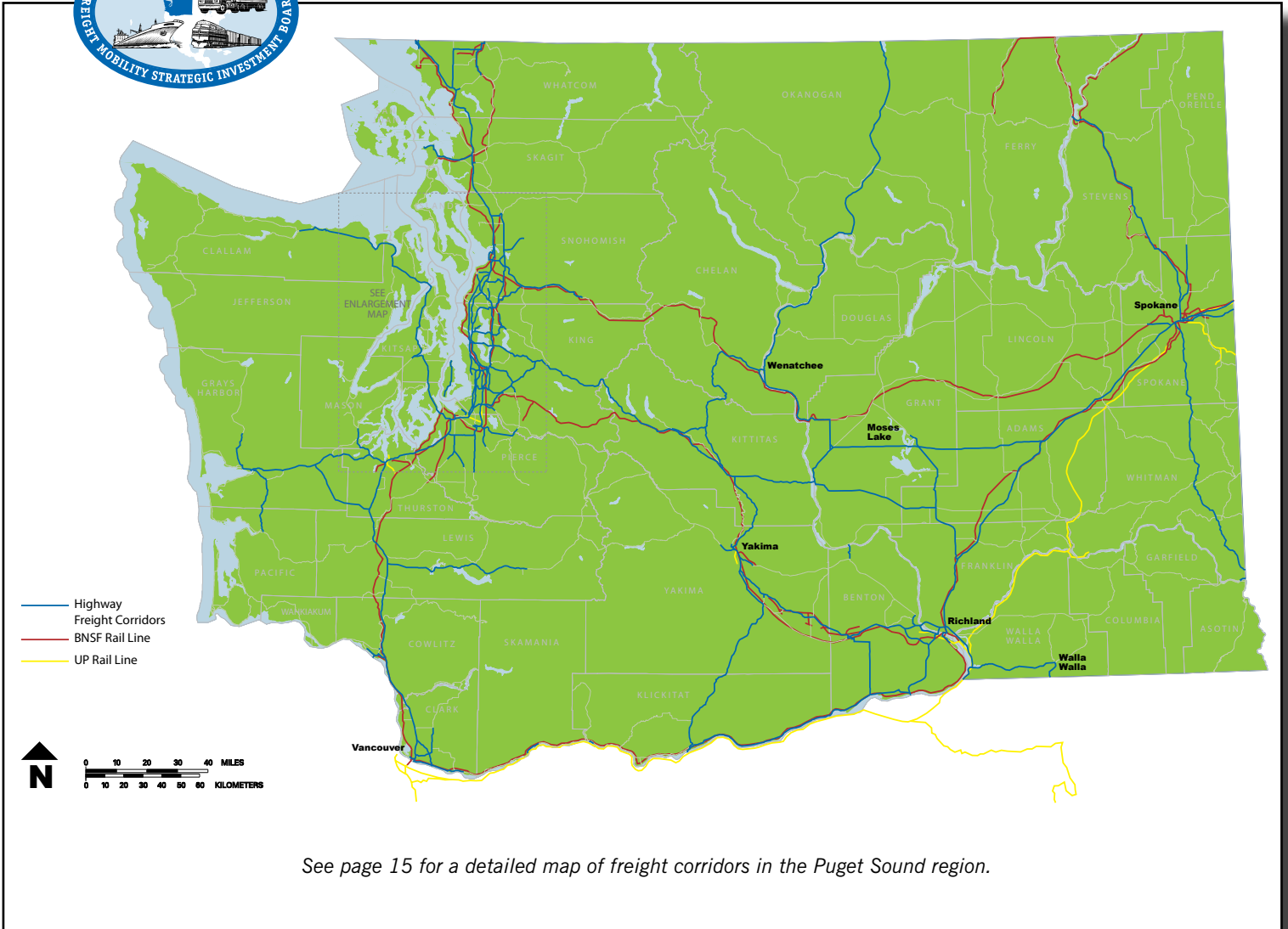
WASHINGTON STATE

Governor Gregoire and the state legislature have recognized the growing importance of freight movement to sustain a healthy economy, and have therefore demonstrated a desire to invest in freight infrastructure. The current lack of additional available transportation revenue has prompted the legislature to direct a study by the Joint Transportation Committee of the Washington State Legislature to study funding, financing sources, and options for freight investment. Results of the study are expected in 2008.

FMSIB will continue to work to ensure that Washington's container ports remain accessible and attractive to shippers who might be inclined to move their business elsewhere, particularly as Washington's container ports are significantly more discretionary than southern California's. A further benefit of these discretionary ports is that the backhaul of agricultural goods at a steep discount allows many Washington products to be competitive in international markets in which they might not otherwise be able to afford to compete.

At Washington's container ports, growth continued in 2007, though at a slower pace than previous years. While important, container ports are only part of a picture that also includes commodities and break-bulk cargo. In non-container ports, the Port of Vancouver had an exceptionally successful year, with a projected 21% growth in cargo tonnage in 2007. More information on Washington ports is contained on pages 23-25.

Washington State Strategic Freight Corridors



“FMSIB is the key to building and strengthening Washington’s freight corridors, enhancing a safe, efficient, and reliable supply chain for the movement of goods statewide, and reinforcing the national and global reach of Washington’s economy.”

Dennis Hession
mayor, City of Spokane
FMSIB Board member



FMSIB Projects: NEW, CONTINUING, AND COMPLETED

An overview of FMSIB's nine years of projects, overlaid on a map of the state of Washington, weaves an interconnected network of road and rail, linking ports and commodities, producers and communities all over Washington. FMSIB has funded, expedited, advanced, and advocated for projects that keep freight moving and keep Washington's economy strong. FMSIB is the voice of freight for Washington.

Over the past nine years, FMSIB has funded 29 projects across Washington State, totaling \$74,597,448 in FMSIB funds, leveraging additional dollars for a project delivery total of \$ 247,457,273. With the vast majority of projects completed on time or early, and on budget or under budget, FMSIB has a successful track record of project delivery, and leveraging of funds. These projects have improved efficiency, reduced travel time, eased congestion, lowered shipping/transshipment costs, and contributed to a competitive advantage for freight movement in Washington State.

Its technical assistance, as well as its funding, provides incentive to project sponsors. An additional incentive is the twelve-month rule, whereby FMSIB does and has removed projects from its list, if they are not ready to go to construction within twelve months of receiving funding, or if they have not made significant progress toward their construction schedule. The "twelve-month rule" provides FMSIB with a high record of success, as well as accountability.

FMSIB has added four new projects from its most recent "call" for projects, recognizing the changing landscape of freight movement in Washington State. Now, more than ever, there is a need for creativity and cooperation in order to accomplish our task of removing chokepoints to improve the flow of freight across our state. Our newest projects provide an illustration of the need for this kind of broad-based, multi-jurisdictional and multi-agency cooperation in order to bridge differences and achieve common goals.

FMSIB's project selection criteria, rigorous project reporting, proactive technical assistance, and its "twelve-month rule" all illustrate the program's accountability, performance, and a strong value of compliance. FMSIB funding has enabled freight to keep moving in Washington State, helps Washington's ports to remain competitive and keeps Washington products competitive in the international marketplace.

"Increasingly, the state's policy makers will need to focus on which industries, services and transportation sectors make Washington's economy go around, and invest precious dollars accordingly. Freight mobility projects, like those identified through the FMSIB process, generally are those that produce jobs and payrolls and serve the enormous mechanisms of domestic and international trade, which, as much as Microsoft and Boeing, are true pillars of the quality of life in Washington."

Terry Finn
director of government affairs, BNSF Railway
FMSIB Board member



FMSIB Projects Breaking Ground in 2007

East Marginal Way, Seattle

Project Sponsor: Port of Seattle
Groundbreaking: June 2007
Completion: Autumn 2009 (phase 1)
Other: truck access under negotiation (phase 2)

This first phase of this two-phase project broke ground in June, 2007. Phase 1 is a north, east, and southbound grade separation on Duwamish Avenue South which will remove at-grade crossing conflicts with existing rail tracks. The project will improve access among Port terminals, Union Pacific and BNSF rail yards, local manufacturers, and distribution warehouses. Areawide benefits include reduced congestion, more efficient intermodal transfers, and a positive impact on air quality. Phase 2 will provide safe truck access to the gate of UP's Argo yard from a newly designed Duwamish Avenue S/East Marginal Way intersection, eliminating a difficult and unsafe weaving maneuver from southbound SR 99 to Diagonal Avenue.



DON WILSON

Left to right: Patricia Davis, port commissioner; Bob Drewel, PSRC; Karen Schmidt, FMSIB; Jeanne Burbridge, TIB; John Creighton, port commissioner; Mayor Greg Nickels, Seattle; Jill Satran, Governor Gregoire's office; Tay Yoshitani, Port of Seattle chief economic officer; Lloyd Hara, port commissioner; Dan Gatchet, WTA.

SR 125/SR 12 interconnect at Myra Road, Walla Walla

Project Sponsor: City of Walla Walla
Groundbreaking: July 2007
Completion: October 2008

This project will extend Myra Road to intersect with SR 12, providing a link to SR 125. Currently freight must go through commercial and residential streets in the city of Walla Walla. Seven percent of the traffic on the existing route is heavy trucks. This project will cut over 3.5 minutes from trips over the proposed five-lane roadway.



FMSIB

From left to right: Leo Bowman (Benton County Commissioner); Mayor Ed Ammon (City of College Place); Rebecca Francik (FMSIB representative); Mayor Dominick Elia (City of Walla Walla); David G. Carey (Walla Walla County Commissioner); Dr. Fred Bennett (Port of Walla Walla Commissioner); Jerry Cummins (Chair, Valley Transit Board of Directors); Don Whitehouse (Regional Administrator, WSDOT South Central District).

FMSIB's "twelve-month rule", requiring that projects go to construction within one year of receiving funding, provides FMSIB with a high record of success, as well as accountability.

FMSIB Projects Breaking Ground in 2007

Grade-separated rail crossing, Yakima

Project Sponsor: City of Yakima
Groundbreaking: August 2007
Completion: December 2009

This project will construct two underpasses, at Lincoln Avenue and Martin Luther King Jr. Blvd. from 1st Avenue to 1st Street. The underpasses will reconstruct three lanes on each roadway under the BNSF mainline. This project, which provides a rail safety improvement, is also critical to the movement of truck freight traffic, emergency vehicles, and the movement of general traffic into and out of the downtown area.



CITY OF YAKIMA

Left to right: Trent Marquis, Yakima Regional TransAction Committee; Terry Finn, BNSF Railway; Rebecca Thornton, U.S. Senator Patty Murray's office; Ron Bonlender, Yakima City Council; Susan Whitman, Yakima City Council; Doc Hastings, U.S. Congressman; Neil McClure, assistant Mayor and Yakima City Council; Jim Toomey, FMSIB.

Rail access and track extension, Port of Vancouver

Project Sponsor: Port of Vancouver
Groundbreaking: June 2007 (phase 1)
Completion: 2010
Other: Phase 2 on-dock rail extension to begin 2010

This project is necessary for new freight rail access to and from the rail mainline and the Port of Vancouver USA, while providing improved capacity and velocity to a national system chokepoint at the Vancouver Wye. This chokepoint is located on a critical mainline connecting the Pacific Northwest to California, Mexico, Canada, and major rail hubs in Chicago and Houston. Port customers with expansion plans are depending on the new rail access.

With mainline freight and passenger rail growth projected to at least double by 2025, this project, in conjunction with the WSDOT Vancouver bypass project, is anticipated to reduce delays at the Vancouver Wye by 40 percent, compared to 2005 congestion.



PORT OF VANCOUVER USA

Left to right: Port of Vancouver Executive Director Larry Paulson, Port of Vancouver Commissioner Arch Miller, U.S. Senator Patty Murray, Vancouver Mayor Royce Pollard.

"Our local access is only as good as the weakest link in the system."

Jim Toomey
executive director, Port of Pasco
FMSIB board member



FMSIB Projects Breaking Ground in 2007

Shaw Road extension, Puyallup

Project Sponsor: City of Puyallup
Groundbreaking: September 2007 (phase 1)
Completion: Fall 2009

Shaw Road is a non-traditional FMSIB project; it extends an existing roadway and creates an alternate, and more direct route between Puyallup and Sumner. This project will extend Shaw Road to provide an effective grade separation through a new roadway alignment. The new grade-separated crossing will improve freight mobility by reducing railroad conflicts on Meridian and 15th Street SE, and by reconstructing railroad tracks for the Meeker Southern Railroad. The project will be completed in two phases.



CITY OF PUYALLUP

Speaking is Ian Morrison, Governor Christine Gregoire's office. Left to right: Deputy Mayor Ken Martin (City of Puyallup), Councilmember Val Offenbecher (City of Puyallup), Mayor Mike Deal (City of Puyallup), Senator Jim Kastama (WA State Senate), Councilmember George Dill (City of Puyallup).

Piert Road, phase 1, Benton County

Project Sponsor: Benton County
Groundbreaking: 2007
Completion: October 2008

Piert Road will be extended from Lechelt Road to Bowles Road, providing a direct access route for major agricultural businesses located in the area. The extended section will include two travel lanes, and a two-way left turn lane. Freight vehicles will be able to avoid minor roads with multiple tight turns, and instead use the Piert Road extension to access SR 397 and other main freight routes.



Piert Road is south of the Port of Kennewick, on the east side of Lake Wallula.

"The export agricultural products of the east side of the state move by truck over farm-to-market roads onto state highways, short line and major rail lines to the grain terminals and container ports on the Columbia River and in Puget Sound."

Cliff Benson
FMSIB board member



²Washington State Transportation Commission, *Statewide Rail Capacity and System Needs Study*, December 2006, p. 49.

FMSIB Projects Breaking Ground in 2007

Lincoln Avenue grade separation, Tacoma

Project Sponsor: Port of Tacoma
Groundbreaking: June 2007
Completion: December 2009

This project will reduce barriers and increase freight mobility by removing the grade crossing at Lincoln Avenue, and constructing a three-lane arterial overpass. The overpass will allow the assembly of long trains without blocking the roadway. The project would also relieve local congestion on Lincoln Avenue.

Construction is planned to be completed in phases, with the roadway segments to be complete in July 2008 and the bridge structure to be completed in December 2009.



PORT OF TACOMA

Construction for grade separation is underway at access roads near the proposed overpass at Lincoln Avenue.

SR 202/SR 522 127th Place NE truck improvements, Woodinville

Project Sponsor: City of Woodinville
Groundbreaking: July 2007
Completion: October 2007 (phase 1)
Other: Phase 2 complete in June 2009

This project provides capacity, operation and safety improvements to the SR 202/SR 522 north corridor plus the major intersections between SR 522 and 127th Place NE on the existing SR 202 corridor. This will include widening of the roadway and the existing bridge, for efficient truck movement. SR 202 connects directly into SR 522 and I-405, both highways of statewide significance.

This project will be constructed in two phases: the first is the 127th Place NE intersection, and phase 2 will be the road widening and bridge replacement. The project will remove uneven pavement near the rail crossing that causes trucks to high-center and get stuck. It will also lengthen the left-turn pocket to improve truck movement.



Phase I of the SR 202 improvement was completed in October, 2007.

"FMSIB-funded grade separation projects have improved rail traffic flow and decreased potential conflicts with local communities."

John Gray
executive director, interline, Union Pacific Corporation, FMSIB Board member



Including projects breaking ground this year, there are now 19 FMSIB-funded projects underway throughout the state. FMSIB has leveraged almost four times its dollar contribution in project funds.

Currently Funded FMSIB Projects in Progress

Project	Location	Status	Total Project	FMSIB Share	Complete
E Marginal Way (phase 1)	Seattle	in construction	33,510,000	6,920,000	Fall 09
E Marginal Way (phase 2: truck)	Seattle	in permitting	1,100,000	994,665	TBD
Lincoln Ave grade separation	Tacoma	in construction	50,000,000	10,200,000	Dec 09
Shaw Road extension	Puyallup	in construction	21,600,000	6,000,000	Fall 09
Myra Road	Walla Walla	in construction	17,290,000	4,230,000	May 08
E. Marine View Drive	Everett	in construction	11,830,000	600,000	Oct 09
Piert Road	Benton Co.	in construction	1,840,000	520,000	Oct 08
Yakima grade separation (phase 1)	Yakima	in construction	34,770,000	7,000,000	Dec 09
SR 202 / SR 522-127th PI (phase 2)	Woodinville	in construction	3,800,000	2,500,000	Oct 07
Port of Vancouver Wye (phase 1)	Vancouver	in construction	50,000,000	2,500,000	Aug 08
S. 228th St (phase 2: BNSF)	Kent	Jan 08 groundbreak	21,500,000	3,250,000	Jun 09
S. 228th St (phase 3: UP)	Kent	Apr 08 groundbreak	21,500,000	3,250,000	July 09
Strander Blvd	Renton	July 08 groundbreak	47,000,000	4,000,000	Fall 15
Havana St/BNSF grade separation	Spokane	July 08 groundbreak	18,500,000	4,000,000	Oct 09
Bigelow Gulch Rd	Spokane Co.	Aug 08 groundbreak	18,100,000	2,000,000	Oct 09
Duwamish ITS (phase 3)	Seattle	Oct 08 groundbreak	8,700,000	2,560,000	Dec 09
Granite Falls alternate route (ph. 1)	Granite Falls	Dec 08 groundbreak	32,562,000	3,200,000	May 10
70th St/Valley Ave. widening (ph. 1)	Fife	June 08 groundbreak	24,990,000	2,000,000	June 10
Green River Valley	Green R. Valley	negotiation	20,000,000	2,500,000	negot.
Lander Street overpass	Seattle	June 09 groundbreak	77,720,000	8,400,000	Sep 11
Subtotal			\$516,312,000	\$76,624,665	

Projects Awaiting FMSIB Funding	Location	Status	Total Project	FMSIB Share
Port of Tacoma Rd ramp/interchange	Fife	awaiting FMSIB funding	26,000,000	8,000,000
Freya Street bridge	Spokane	awaiting FMSIB funding	12,850,000	2,720,000
South rail alignmt/on-dock track ext.	Vancouver	awaiting FMSIB funding	50,000,000*(incl. above)	7,500,000
Spokane Street Viaduct	Seattle	awaiting FMSIB funding	120,000,000	25,000,000
Green River Valley	Green R. Valley	awaiting FMSIB funding	20,000,000*(incl. above)	3,500,000
Subtotal			\$158,850,000	\$46,720,000
TOTAL CURRENT AND PENDING FMSIB PROJECTS			\$675,162,000	\$123,344,665

The diversity of the FMSIB board's composition ensures that project proponents know that their project ranking is credible. Further, board members have technical expertise in the various modes as well as government process at various levels, and are thus able to give assistance to projects throughout the application and implementation phases.

FMSIB Projects Underway in 2008

The projects identified below are scheduled for groundbreakings in 2008.

[S. 228th St \(phases 2 and 3\)](#)

Project sponsor: City of Kent

Status: groundbreaking early 2008

Phases 2 and 3 of the 228th Street extension and grade separation project will provide railroad grade separations at BNSF and Union Pacific tracks on S. 228th Street.

[Strander Boulevard](#)

Project Sponsor: City of Renton

Status: groundbreaking July 2008

Construct a grade separated 5-lane roadway over the Union Pacific (UP) and BNSF railroad tracks. Realign tracks to accommodate a single structure. Connect the existing arterial roadway from Southcenter Parkway to East Valley Road in Renton, providing an unimpeded new route for trucks.

[Bigelow Gulch Road](#)

Project Sponsor: Spokane County

Status: groundbreaking August 2008

Construct a four-lane section that includes a 12-foot center turn lane and 8-foot shoulders on each side of the roadway. Increase capacity for improved freight movement. Correct substandard curves, intersections, and grades.

[Duwamish ITS \(phase 3\)](#)

Project Sponsor: City of Seattle

Status: groundbreaking October 2008

Upgrade traffic signals and control equipments; install closed circuit television cameras to monitor traffic conditions; install variable/limited and fixed message signs; install additional traffic detection devices. Improvements are anticipated to facilitate freight traffic flow through the Duwamish industrial area via improved driver information and reduced travel times.

[Granite Falls alternate route \(phase 1\)](#)

Project Sponsor: Snohomish County

Status: ROW complete; groundbreaking December 2008

Construct a 2.1-mile alternate route to the Granite Falls quarries connecting directly to the Mountain Loop Highway, which will eliminate truck traffic through downtown Granite Falls. Currently, hundreds of dump trucks travel down Main Street, destroying the roadway and creating a safety hazard.

[Havana St/BNSF grade separation](#)

Project Sponsor: City of Spokane

Status: groundbreaking 2008

Reconstruct Havana Street over the BNSF mainline to separate vehicle traffic from heavy train traffic in a highly industrialized area of Spokane improving safety and enhancing development opportunities. This grade-separation project is connected to the improvements at Freya Street. If the grade separation at Havana Street is built first, it will save the Freya Street project about \$2 million.

[70th St and Valley Avenue widening](#)

Project Sponsor: City of Fife

Status: groundbreaking 2008

To improve turning radii for efficient truck movement in Fife, widen 70th Avenue from two lanes to five lanes and widen Valley Avenue from two lanes to four lanes. To improve freight movement and eliminate traffic backups, construct a grade-separated railroad crossing at the UP, eliminating the existing at-grade crossing. The completed project is expected to relieve 33 hours of truck delay each day.

[Green River Valley BNSF and UP industrial lead track](#)

Project Sponsor: FMSIB

Status: partial funding approved, other funding pending new revenue

Create an industrial rail siding, allowing full unit freight trains to be held off the mainline while they await clearance to proceed without tying up mainline capacity. The project creates long-term capacity improvements for both BNSF and UP railroads.



"FMSIB right-of-way acquisition funds allowed the Granite Falls alternate route project to move forward more quickly than would otherwise have been possible. The FMSIB funds also provided the leverage for additional federal funding for the project."

Dave Gossett
councilmember, Snohomish County Council,
FMSIB board member

Since its inception in 1998, FMSIB has funded 29 freight-mobility projects in Washington State, valued at \$74.6 million. Five of these projects were completed in 2007. The overwhelming majority of these projects have been completed on time or early, and have been on budget or under budget.

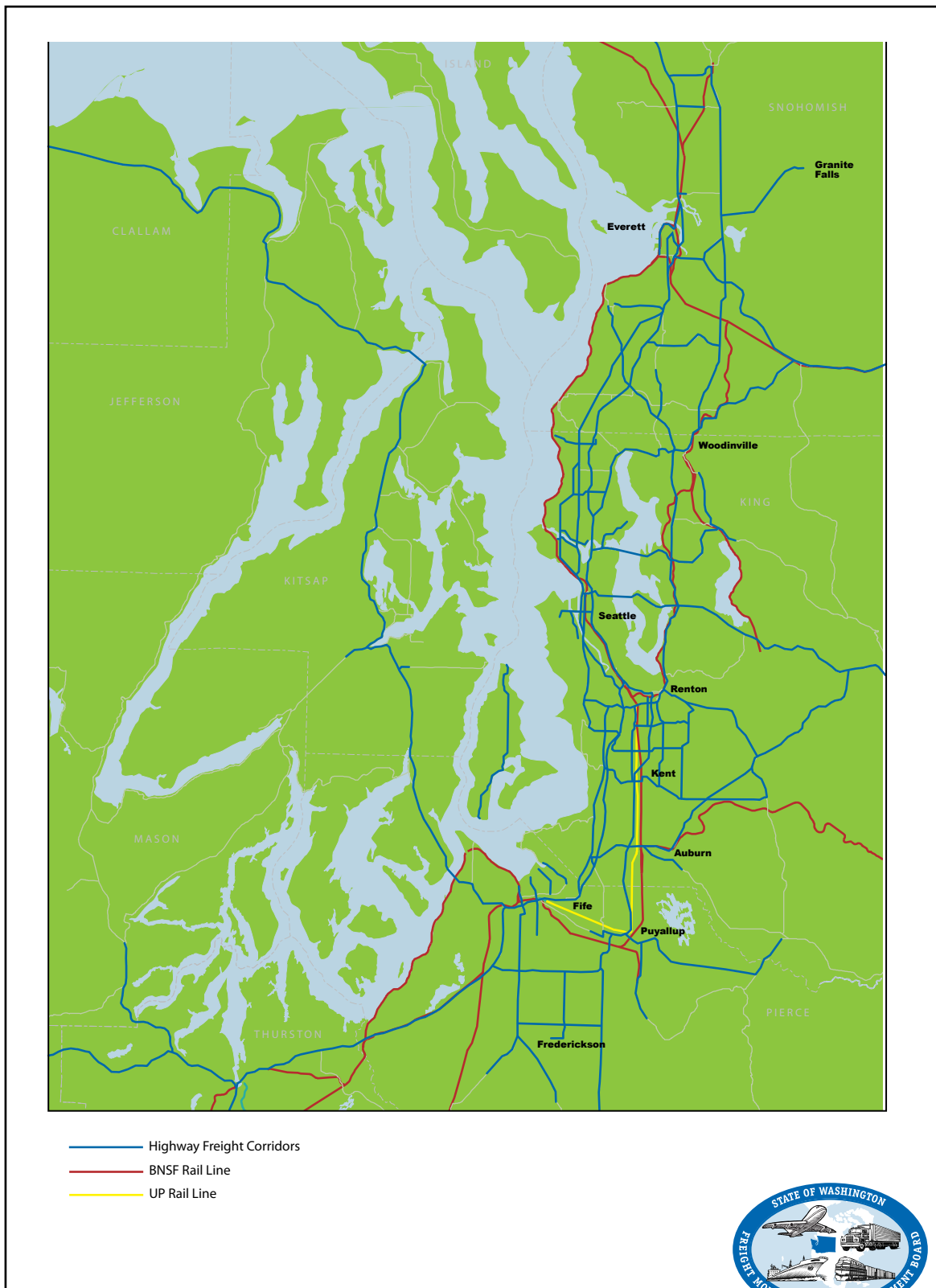
FMSIB Completed Projects

Agency	Project Name	schedule	cost
WSDOT	SR 519 Intermodal Access Project, phase 1	on time	on budget
WSDOT	SR 509/Port of Tacoma Rd. Grade Separation	on time	on budget
Port of Longview	Port of Longview Alternate Rail Corridor	early	on budget
Kelso	Allen Street Bridge Replacement	early	under budget
Port of Everett	California St. Overcrossing/ Port of Everett	early	under budget
Everett	41st St. Railway Overcrossing/ Riverfront Parkway	on time	on budget
Union Gap	Valley Mall Blvd. Extension	early	under budget
Auburn	South 277th St. (BNSF & UPSP)	early	under budget
Prosser	Wine Country Rd.	on time	on budget
Auburn	3rd St. SW/BNSF	on time	on budget
Kennewick	Columbia Center Blvd. Railroad Crossing	on time	on budget
Pierce County	8th St. East / BNSF Mainline Grade Separation	early	on budget
Tukwila	S. 180th St. Grade Separation	on time	under budget
Colville	Colville Alternate Truck Route	on time	on budget
Port of Kalama	Port of Kalama Industrial Park Bridge	early	on budget
WSDOT	SR 18 Weyerhauser Way to SR 167 Truck Lane	*	*
Kent	S 228th Street Grade Separations, phase 1	early	on budget
Port of Kalama	Grain Terminal Track Improvements	on time	on budget
Pasco	US 395 Hillsboro St Interchange	*	*
Bremerton	SR 304 Transportation Improvement	on time	on budget
Longview	SR432/3rd Ave off ramp	early	under budget
Snohomish Co	Granite Falls Alternate Route, ROW	on time	on budget
Everett	I-5/ 41st Street Overpass Improvements	*	*
Pasco	SR 397/Ainsworth Grade Separation	on time	under budget
Tacoma	D Street, Grade Separation	on time	on budget
Fife	Pacific Highway E./Port of Tacoma Rd	3 mo. delay	on budget

* project transferred to the Washington State Department of Transportation for implementation.

FMSIB can point to 27 active projects in the Puget Sound region, including 16 already-completed projects, and four projects in development. Each of these projects represents a leveraging of funds, and a complex partnership of agencies, modes, and localities.

Strategic Freight Corridors, Puget Sound region



See page 6 for a statewide map of freight corridors.

Other FMSIB Projects



East D Street serves as a major corridor for rail and truck freight and for people wanting to access the revitalized Thea Foss Waterway. Once completed, the \$22.5 million D Street overpass will separate train and motor vehicle traffic by raising the roadway over the railroad tracks. The overpass will provide for an unimpeded truck crossing of the realigned railroad tracks, easing the curve around the end of the Thea Foss Waterway, allowing train traffic to move at a higher speed. Vehicle traffic, which includes trucks carrying freight, no longer will need to wait for the trains that close off D Street to traffic. The project also will create a pedestrian connection between the Dome district and the Thea Foss Waterway esplanade and parks. The rail alignment is now complete. Anticipated completion of the full project: December, 2007.

In 2005, when all seven quarries in **Granite Falls** reached full production, more than 6 million tons of gravel passed through downtown. This translates into one truck and trailer every 30 seconds, or 2,000 trucks with trailers each day. This capacity is much greater than the town's deficient 1940s street design can handle.

An alternate haul route was designed to divert truck traffic away from downtown Granite Falls. Snohomish County, in conjunction with the City of Granite Falls, WSDOT, and FMSIB has designed a two-lane, 2.1-mile alignment to serve as a regional strategic freight corridor.

The first phase of the alternate route, which will reduce travel times and barriers to freight movement and other traffic, is already underway. Preliminary engineering for the second phase of the project is set to begin in 2008.



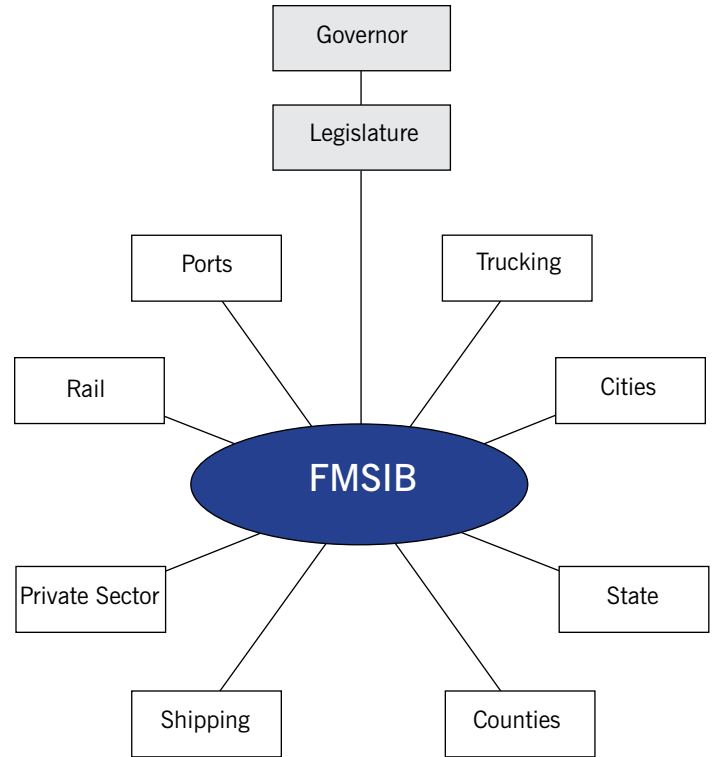
Granite Falls alternate route

Building Partnerships

When FMSIB began, “freight mobility” was insider’s jargon. Today, public and private sectors recognize the critical role of freight mobility in the state’s economy and trade competitiveness. FMSIB, and its constituencies and champions, deserve the credit for that awakening.

Railroads, trucking, shipping, and other representatives of the private sector are offered a rare seat at the table of government decision-making, to discuss and plan together, so that shared futures may be complementary.

This multi-modal team approach to projects is also multi-jurisdictional: FMSIB works with cities, counties, freight stakeholders, beneficial cargo owners, and ports, setting agency policy and selecting projects to improve the capacity to move freight throughout the state of Washington. FMSIB thus provides a bridge between the private sector, the quasi-government private agencies, and the public sector.



FMSIB is the linchpin connecting the various interests of freight mobility in Washington.



PORT OF PASCO

FMSIB was a partner with the Port and the City of Pasco in creating the Ainsworth overpass. Prior to the completion of the Ainsworth overpass, Port property could be completely blocked by train. This property is one of the areas both the city and the Port of Pasco are developing jointly into an industrial development park. Free movement of trucks and employee vehicles is essential to the marketing of this property. FMSIB’s participation allowed this project to be implemented years earlier than local sponsors anticipated.



“FMSIB brings state money to the partnership table to expedite critical freight projects.”

Brian Ziegler, P. E.
 director of public works and utilities, Pierce County,
 FMSIB board member

FMSIB Agency and Freight Activities

FMSIB Board

In 2007, the FBSIB board experienced changes in its own composition, re-evaluated its goals for freight mobility, observed freight projects in development and underway, and participated in groundbreakings for freight projects statewide.

As it does each year, FMSIB board members in 2007 went on site visits, met with cargo owners, ports, and the modal representatives, held board meetings across the state, and met with legislators in both Olympia and Washington, D.C.

In June, board members met in Vancouver with Frito-Lay, to discuss the challenges they and other beneficial cargo owners face, and to identify current barriers, both legal and actual, that impede the efficient movement of freight. FMSIB also met with regional governments during its meetings held throughout the state, such as in Spokane in September. Holding meetings around the state enables board members to hear local concerns, and also provides an opportunity to conduct site visits to current and future freight mobility projects, providing a hands-on approach to chokepoint problem-solving.

In July, the board organized two tours for legislators, focusing on freight needs. The House Transportation Committee met at the Carrix office to discuss freight mobility challenges impacting the Port of Seattle. Participants were led by committee chair Rep. Judy Clibborn on a tour of the working port and on site visits to some FMSIB projects recently funded by the legislature. The second tour was a “roads and rails” tour coordinated jointly by FMSIB and BNSF Railway. House and Senate participants toured highway freight chokepoint sites from Seattle to Cle Elum. At Cle Elum, legislators transferred modes and traveled by rail via Stampede Pass to Seattle, to observe the rail line condition and obstacles to moving double-stack or oversized cargo through the rail corridor.

FMSIB, partnering with the Transportation Improvement Board, developed an approach for project sponsors to meet directly with railroad decision makers to resolve problems in project development. The approach was so successful that BNSF has now instituted regular ongoing meetings. The improved dialogue between project sponsors and railroads will allow freight projects to advance more smoothly.

The board experienced some changes in representation in 2007. Spokane Mayor Dennis Hession was selected to represent cities; Terry Finn of BNSF Railway will represent railroads, replacing Andrew Johnsen who was promoted and transferred to Fort Worth, TX. Steve Holtgeerts, president of Hogland Transfer Co. will represent trucking, following the retirement from the board of Don Lemmons, who served nine years.

The project selection committee evaluated applications and recommended additional projects that should be added to FMSIB’s active list

of projects, reflecting the ongoing freight challenges facing the state.

The board held a workshop in July to discuss near-term and long-term goals for the agency. The recognition that freight is now taking a highly visible role in public debate and planning is also placing a greater time demand on the staff. The board balanced the need to respond to the demands placed upon staff with the desire to remain a nimble organization, opting to contract for some specific tasks as a short-term solution.

The director and several board members participated in the JTC freight finance study, both as participants and as a resource for the consultants. Finally, for the second time in nine years, FMSIB was audited by the state auditor, and received another clean report with no findings.

Washington State Legislature

In its 2007 legislative session, the Washington State Legislature enacted SSB 5207 to:

- Create a freight congestion relief account to provide congestion relief through the improvement of freight rail systems and state highways that function as freight corridors, and
- Direct the Joint Transportation Committee to administer a consultant study of funding mechanisms for the freight congestion relief account.

The overall intent of the study is to identify and evaluate funding sources to improve freight movement in the state, taking into account this state’s current transportation finance structure and planned transportation system infrastructure improvements. The study will also examine the current institutional arrangements for identifying freight congestion relief projects, and make recommendations for alternative approaches for a project recommendation body including its membership, processes, and project selection criteria. The study is currently underway.



“The need for adequate free flowing freight capacity is probably the most unifying issue in Washington State.”

Rebecca Francik

city council member, City of Pasco, FMSIB board member

FMSIB Agency and Freight Activities



BNSF RAILWAY

BNSF rail-mounted, wide-span gantry cranes at the intermodal yard near the Port of Seattle will allow the railroad to process a greater number of intermodal containers at the Seattle International Gateway (SIG) yard.

“FMSIB has repeatedly proven to be the voice of freight in this most trade-dependent state.”

Andrew Johnsen
assistant vice president, BNSF Railway, past FMSIB Board member



Rail Issues and Activities

Burlington Northern Santa Fe Railway

In 2006, BNSF saw clear evidence of growth, with more than 10 percent growth in coal volumes; 6 percent growth in agricultural commodities; 2 percent growth in industrial products; and 6 percent growth in consumer products, including its domestic and international intermodal business. Volume growth has been steady for these business units since 2003.

BNSF has kept its rail assets strong by investing approximately \$1.2 billion on capital maintenance, including rail, tie, bridge, and signal renewal.

BNSF also strengthened operations and added to capacity by increasing the velocity of its locomotives and railcars, reducing the amount of time freight is standing still as well as the number of times it's being handled.

Locomotive velocity was up by more than 2 percent in average miles per day in the fourth quarter of 2006 compared to the fourth quarter of 2005. Railcar velocity increased by nearly 9 percent during the same period.

BNSF continued safety enhancement with Wabtec Railway Electronics on the Electronic Train Management System. This technology uses global positioning satellite data and BNSF track and dispatching data to prevent train collisions and over-speed accidents, meeting key criteria identified by the National Transportation Safety Board.

Better safety and efficiency *and* better environmental protection. Locomotives and yard equipment are continually being upgraded to provide cleaner efficiencies. As part of a \$40 million expansion to the Seattle International Gateway intermodal yard, the company added new rail-mounted, wide-span gantry cranes capable of doubling the overall yard capacity—all electrically powered with almost no detrimental air emissions.

BNSF continued to invest to expand track, yards, and terminals and to bring on new technology, including new-generation locomotives. In 2006, \$2.67 billion in overall capital improvements included acquisition of 362 new high-horsepower, high-efficiency locomotives. By the end of 2006, nearly 60 percent of BNSF 5,000 road locomotives were less than 10 years old.

Union Pacific Corporation

2007 continued a trend of growth for Union Pacific. While demand in several sectors—including forest products—was lower than in 2006 due to production declines, overall requirements for rail service continued to show considerable strength. Unlike past demand cycles in which rail traffic rose or fell in concert with domestic industrial production, UP believes that the rail industry is now facing core structural change in the underlying nature of its business base. It points to two particular trends as dramatically altering the way in which railroads need to look at their business:

- The internationalization of the American economy, driving both increased commodity exports and consumer product imports, and
- The increase in energy prices, driving demand for domestic coal and agri-based fuel sources.

These trends suggest that the rail industry, particularly in the Western United States, is well placed to be a major player in the economic future of the country. However, with these unprecedented opportunities there continue to be challenges to provide the resources necessary to meet customer requirements.

To meet these challenges Union Pacific is taking steps to increase network capacity and to make existing resources more productive. During 2005 – 2007, UP will invest \$8.7 billion in capital improvements for its network. These include construction of new track and terminals, upgrading existing track, acquisition of new locomotives and freight cars and investment in new control systems. In 2007 UP continued to add new locomotives, all of which represented a new generation of environmentally friendly and fuel-efficient units.

In 2007 the UP continued to increase the heavy haul capacity of its main line that runs across the eastern portion of the state from Hinkle, Oregon through Spokane, to Eastport, Idaho, on the Canadian border. This additional capacity anticipates new export business from Canada and North Dakota through Washington ports, particularly Vancouver, Kalama, Longview, Tacoma and Seattle.

Along UP's main line between Tacoma and Seattle, FMSIB-funded grade separation projects completed during the last several years have improved rail traffic flow and decreased potential conflicts with local communities. At least three additional projects along this corridor involving the UP are in advanced planning stages.

Finally, the new RailEx facility in Wallula continues to be a major success story for Washington's agricultural shippers. This facility, capable of loading an entire 55-car train of perishable products in only 24 hours, is now dispatching consistent weekly trains to serve the Northeast, the nation's largest food consumption market. Union Pacific believes that this addition to its business portfolio will point the way toward increased rail participation in other consumer markets.



Trucking Issues and Activities



SFTA

Trucking: Industry and Freight Mobility Challenges

As supply chain management becomes more complex, freight mobility becomes increasingly important. As a key link in the supply chain, the trucking industry is facing both institutional and freight mobility challenges. Meeting institutional challenges with robust solutions is essential for the industry, with FMSIB as a partner on mobility solutions.

The U.S. Department of Transportation's Federal Motor Carrier Safety Administration is responsible for rulemaking regarding hours-of-service rule governing the length of time commercial drivers can operate trucks before they are required to take a break. Hours-of-service rules include drivers' maximum driving time and minimum rest limits.

The Department has issued several notices of rulemaking since 2003, all of which have been vacated by the U.S. Court of Appeals. Truckers' hours-of-service therefore remain in a state of flux and uncertainty. However, any change in hours-of-service rules is likely to significantly

restrict variability in drivers' work schedules, consequently reducing carriers' ability to meet dynamic pickup and delivery schedules demanded by shippers.

The truck driver shortage will continue to be a pressing problem for the trucking industry for years to come. Exacerbating the situation is the fact that large numbers of current drivers will soon reach retirement age. With the projected increase in freight hauled by trucks, this is a problem that requires a market solution, for which the industry is still searching.

In the Puget Sound area, average truck speeds and system reliability continue to decline, at a cost of millions of dollars in wasted time. In order to continue to serve the major urban centers, it has become necessary for the industry to open more terminals and warehouses in surrounding areas, so as not to have drivers stuck in traffic trying to transit urban corridors. This is a very expensive and inefficient trend that, left unchecked, could strangle the entire state's economy.

"FMSIB has a proven track record of identifying the "freight value" of proposed highway projects, and working with the various partners involved with these projects to keep them moving towards completion. The fact that the Board is comprised of representatives of government (local, county, and ports) and various modes of freight transportation (rail, steamship, and trucking) enables FMSIB to efficiently and effectively discuss the merits of potential projects."

Steve Holtgeerts
president, Hogland Transfer Company, FMSIB Board member



“Pasco’s entire economy is based upon the movement of agricultural goods...FMSIB’s focus on creating freight movement corridors keeps the economy of our region competitive.”

Rebecca Francik

city council member, City of Pasco, FMSIB board member

Maritime Issues and Activities

Washington State is uniquely situated in the world for maritime trade. One generally thinks of the container industry with its strong ties to the major trading partners in the Far East when the industry is discussed. Yet besides the millions of containers moved over the ports of Seattle and Tacoma, there are other elements of the maritime industry that add to the trade, and require the same infrastructure.

The export agricultural products of the east side of the state move by truck over farm to market roads onto state highways, short line and major rail lines to the grain terminals and container ports on the Columbia River and in Puget Sound. A major element in the grain movement on the Columbia is the barge traffic servicing not only inland Washington State, but the northern tier grain producing states.

The Alaskan trade, too, draws specialized carriers. From Tacoma, roll-on roll-off vessels serve the many ports in Alaska. Barge services from Puget Sound carry a wide variety of containerized and non-containerized cargos. This service is vital to the Alaskan economy.

Export forest products from the Pacific Northwest and British Columbia are carried by specialized vessels. They also carry containers and other export bulk cargos. The return haul for these vessels include containers, machinery and all sorts of special bulk cargos.

In the far northwest corner of the state oil tankers discharge the crude cargos. The refined products from the Anacortes and Ferndale refineries move by various means to the markets in the northwest. Pipelines, trucks, rail tankers, barges, and deep water product tankers all add to the distribution network to keep the economy moving.

The projects the Freight Mobility Strategic Investment Board supports improve the efficient and safe movement of the goods carried in maritime trade. The beneficial cargo interests look for the efficient movement of goods at competitive costs. To remain competitive in international maritime trade, the state must maintain its modal systems of cargo movement.



PORT OF PASCO

Barges being loaded at the Port of Pasco’s container barge terminal.

"FMSIB has served as an able partner with the Port of Tacoma and other local governments in the delivery of road and rail grade operations that expedite the movement of freight and people."

Sean Eagan

state government affairs manager, Port of Tacoma

Port Issues and Activities

Port of Tacoma

The Port of Tacoma began work in 2007 on a 168-acre expansion to meet the demands of dramatic growth in international container trade. Over the next five years, the Port of Tacoma expects to spend \$300 million in terminal expansion. This project is expected to generate about 3,000 construction jobs as well as \$19.5 million in taxes. Based on the capacity of the new terminal, it is expected to create about 3,200 permanent new jobs throughout Washington state. These jobs are family-wage jobs, with an average annual salary of about \$48,500.

As the Port develops new terminals, it builds in efficiencies that not only save customers operational costs year after year, but also minimize the number of trucks on local roadways. For example, since the Port of Tacoma pioneered on-dock rail service in 1981, every new container terminal has been built with its own intermodal rail yard or with direct access to a common-user facility. The result: 70 percent of cargo passing through the Port of Tacoma never touches local roads, thereby minimizing congestion.

The Port's commitment to improved transportation networks goes beyond rail. The Port is also working with the State of Washington and other stakeholders to extend State Route 167 to the Port of Tacoma, providing a more direct link to the warehouse and distributions centers of the Kent Valley. Port staff, in fact, has identified a number of strategies through which the Port can help the state optimize existing resources

and reduce the costs of the overall project by about \$40 million.

FMSIB has served as an able partner with the Port of Tacoma and other local governments in the delivery of road and rail grade operations that expedite the movement of freight and people. The first phase of construction of the Lincoln Avenue grade separation, for example, began in 2007, while plans are in the works for improvements to the Interstate-5/Port of Tacoma Road interchange. Both of these city-owned assets lead directly to Port terminals, and are critical to the movement of cargo. In the meantime, construction continues on the D Street overpass. The first phase of the project, completed in 2006, realigned rail lines so as to allow increased train speeds in the area from 10 miles per hour to 30 miles per hour. 2007 saw the beginning of construction of the grade separation over the tracks, providing a safer street route for local residents.

While improved freight mobility is important, the Port of Tacoma remains committed to continuing to be a good neighbor. See page 28 for a description of the Port of Tacoma's environmental stewardship activities.

By taking care of its customers, investing in infrastructure, and most importantly, being a good neighbor to its surrounding communities, the Port of Tacoma has succeeded in its mission of job creation, economic development and environmental stewardship.



A TOTE vessel at the Port of Tacoma.

PORT OF TACOMA

Port Issues and Activities

Port of Seattle

A major Port project, partnering with FMSIB and the City of Seattle, the East Marginal Way grade separation, broke ground in 2007. The project will improve access at the Port’s terminals, and nearby rail yards, and remove at-grade conflicts with BNSF and UP trains. Details of the project can be found on page 8.

Container volumes have grown significantly over the last five years; Seattle’s Seaport containerized cargo is expected to grow steadily over the next decade.

In early 2007, the Port approved a \$118.3 million project that includes moving cruise operations to a new facility at pier 91 near Magnolia. Terminals 30, 28, and 25 will be transformed into a 70-acre container-handling complex. The new cargo terminal is expected to increase vessel traffic by 5.6 percent, and bring 75 more deep-draft vessels through Puget Sound annually.

A critical part of building trade connections is improving regional transportation corridors. The City of Seattle, the State of Washington, and the Port have agreed on a phase 2 design for SR519. The project will include a new westbound off-ramp from I-5 and I-90 via the current South Atlan-

tic Street overpass, a grade-separated crossing at South Royal Brougham Way, and an improved intersection at 1st Avenue and Atlantic.

A major regional transportation corridor, the Alaskan Way Viaduct which carries approximately 110,000 vehicles per day, is scheduled for replacement beginning within the next five years. In anticipation of that project, the project team has identified five projects that must be completed regardless of how the viaduct is replaced. Those projects are: column safety repairs, electrical lines relocation, Lenora Street to Battery Street tunnel improvements, South Holgate Street to South King Street viaduct replacement, and transit enhancements and other improvements.

This autumn, construction began on a \$30 million FMSIB/WSDOT project along SR 518 to add a third eastbound lane from the airport to I-5 and I-405, increasing capacity and improving safety. Funding for the project is shared among state and federal sources, and also includes a \$10 million Port contribution.

Another freight mobility project strongly supported by the Port of Seattle is on the horizon. Proposed improvements on SR509 will reduce traffic on I-5, allow industrial trucks to bypass congested highways and local streets, and provide better access to properties south of Sea-Tac.



Port Issues and Activities

Non-Container Ports, Port of Vancouver

Non-container ports, such as the ports of Kalama, Longview, Pasco, Walla Walla and others, have been experiencing greater volumes and changes in the way that they do business. One example of this is the Port of Vancouver. By purchasing the largest mobile harbor crane in North America last year, the Port of Vancouver USA is positioned to be a national leader in importing wind energy equipment, with a new contract to bring hundreds of Vestas wind turbines through our port.

Over the past year, the port constructed new facilities to handle cargo growth, and built a new break bulk warehouse for growing aluminum, steel and lumber imports. A new bulk storage building was built in 2006 to accommodate huge increases in the need for copper concentrate.

The port's investments have paid off: the Port of Vancouver is on pace to handle more than 5.5 million tons of cargo in 2007, a 46 percent jump since 2005. Total cargo tonnage is up 21.2 percent over 2006.

The port continues its commitment to leave an environment that can be sustained for generations to come. The commission voted to invest in a wetland mitigation bank, improving habitat. This wetland will be thriving before the port develops its industrial areas.

Efficient freight access is critical to the port's need for expansion. The port is taking action to make sure rail service is in step with our customers' growth. It is putting into place the transportation backbone that will allow the port to succeed: new mainline rail access and infrastructure. The West Vancouver freight access project, which is a partnership with FMSIB, will lay the groundwork to accommodate the significant growth of many port customers. A few examples of this growth include copper concentrate, grain, steel and lumber imports, and wind energy cargos. This rail project will also provide essential service to new industrial properties that will count on access to the national network from Vancouver's doorstep.

The port has a history of making investments that pave the way for future growth. The Port of Vancouver USA has looked to the future and laid the groundwork for the successes enjoyed today. That groundwork has included the purchase of property, equipment, rebuilding the terminal two docks, and countless other improvements. These and other investments have meant thousands of new jobs. Port investments are not made lightly, and always with its mission in mind: to create new, local jobs and generate economic vitality in its community.



Project Activity: CURRENT FMSIB PROJECTS

FMSIB Active Project List

Rank	Agency	Project Name	Current Cost	FMSIB Share
			(\$ millions)	(\$ millions)
1	WSDOT	SR 519 Intermodal Access Project (Phase 2)	partnerships recommitting	
2	WSDOT	SR 509 South Access Completion (Phase 1)	1,129.75	50.00
3	Port of Seattle	East Marginal Way Ramps	34.50	7.92
5	WSDOT	SR 167, I- 5 to SR 509 to Port of Tacoma	429.29	12.20
7	WSDOT	I-90 Snowshed	195.98	45.60
10	Port of Tacoma	Lincoln Ave. Grade Separation (Phase 1)	50.00	10.20
11	Everett	41st St/ Riverfront Parkway (Phase 2)	10.00	4.30
13	Seattle	South Spokane St. Viaduct	159.58	25.00
15	Puyallup	Shaw Rd. Extension	21.60	6.00
20	Pierce County	North Canyon Rd.Exten./BNSF Overcrossing	25.00	2.00
25	Walla Walla	SR 125/ SR 12 Interconnect (Myra Rd. Exten.)	17.29	4.23
29	Everett	E. Marine View Drive Widening	12.31	0.60
31	Benton County	Port of Kennewick Road (Exten. of Piert Rd)	1.84	0.52
32	WSDOT	SR 28, SR 2 / 97 to 9th St.	93.17	17.26
35	Kent	S 228th Street-Grade Separation (Phase 2)	42.00	8.50
36	Yakima	City of Yakima Grade Separated Rail Crossing	34.77	7.00
37	Seattle	Duwamish Intelligent Transportation Systems (ITS)	8.55	2.56
39	Seattle	Lander Street Overcrossing	77.72	8.40
43	WSDOT	I-90 Hyak to Easton truck improvements	248.42	30.70
A	Spokane Co	Park Road BNSF Grade Separation Project	16.52	5.00
D	DOT-Spokane	SR 27 - Pines Rd BNSF Grade Crossing Separation	11.72	3.36
E	Richland	SR 240 & SR 224 Interchange & Grade Crossing	9.30	4.50
F	DOT-Moses Lake	SR 17 Pioneer Way to Stratford Rd Mobility Project	14.61	4.20
G	DOT-Spokane	I-90 Sullivan Rd to Harvard Rd	53.15	9.60

“The experience, and the sheer tenacity that FMSIB has brought to bear, have been of tremendous practical value and assistance.”

Peter Hahn

deputy administrator for planning, building, and public works,
City of Renton

Rank	Agency	Project Name	Current Cost	FMSIB Share
			(\$ millions)	(\$ millions)
44	Spokane	Havana St / BNSF Separation Project	18.50	4.00
47	Renton	Strander Blvd / SW 27th St. Connection	54.00	4.00
48	Spokane Co	Bigelow Gulch Rd-Urban Boundary to Argonne Rd	56.42	2.00
49	Auburn	M St. SE Grade Separation Project	26.23	6.00
51	Seattle	Duwamish Truck Mobility Improvement Project	7.18	2.80
52	Fife	70th and Valley Ave Widening	24.99	2.00
53	Pierce Co	Canyon Road Northerly Extension	36.50	3.00
54	Snohomish Co	Granite Falls Alternate Route	32.56	3.20
55	Everett	East Everett Ave Crossing	16.52	2.50
57	Woodinville	SR 202 Corridor Improvement - SR 522/127th PI NE	3.80	2.50
58	Port of Seattle	East Marginal Way Truck Crossover (see proj 3)	0.00	0.00
59	Kent	S. 212th Street Grade Separation	58.00	10.00
60	Kent	Willis Street Grade Separation	37.00	4.00
61	Port of Seattle	SR 518 at Airport Dr EB lane addition	30.00	5.00
62	Port of Walla Walla	U.S. 12/SR 124 Interchange	15.00	7.50
64	Fife	Port of Tacoma truck Off Ramp	32.40	8.00
65	Spokane	Freya Ave Bridge	12.80	2.72
66	Port of Vancouver	Port Rail Access	67.44	10.00
67	FMSIB	Green River Valley BNSF/UP Industrial track	30.00	8.00
68	Lacey	Hogum Bay Rd Slip Ramp & Road improvements	12.00	4.00
69	Fife	70th Ave Grade Separation	17.50	TBD
70	Longview	SR 432/SR 433 Turn Lane Improvements	3.54	0.65
71	Walla Walla	Myra Rd at DallesMilitary Rd Intersection	2.53	TBD
	TOTALS		3,291.98	361.52

FMSIB Environmental Awareness

FMSIB Members and Environmental Stewardship

FMSIB-member agencies and transportation modes recognize their environmental steward roles, and have taken voluntary steps to reduce emissions, and improve air quality.

This year saw a groundbreaking partnership between the Port of Tacoma, the Port of Seattle, the Vancouver Ports Authority in Canada, and the Puget Sound Clean Air Agency. The three ports have adopted the Northwest Ports Clean Air Strategy, which envisions significant reductions in diesel emissions by 2010. The Port of Tacoma and its partners have already made strong gains to enhance local air quality through the use of cleaner fuels in diesel engines used on the Tideflats, the introduction of more efficient engines in ships and cargo handling equipment, and improved gate operations that reduce truck idle times.

In Vancouver, WA, port commissioners voted to invest in a wetland mitigation bank, improving habitat before it is required. This wetland will be thriving before the port develops its industrial areas. The Port of Vancouver USA also purchased a former manufacturing site, to ensure a speedy, thorough cleanup of historical TCE contamination in Fruit Valley. The port is committed to returning fallow land into productive use by cleaning and re-developing it.

Environmental stewardship isn't a new idea at the Port of Seattle. At Seattle's Seaport, 60 maintenance vehicles use a 50 percent or higher biodiesel blend. Two of three container terminal tenants are using a 20 percent biodiesel blend to run cargo-handling equipment and another tenant is fueling machinery with ultra-low sulfur diesel. APL, the world's eighth largest container carrier and long-time Port of Seattle customer, announced in March its voluntary conversion of ships to low-sulfur fuel.

Using a state Department of Ecology grant and funding from the Puget Sound Clean Air Agency, the Port is partnering with tenants to reduce emissions particulate matter by 25 percent, carbon monoxide by 13 percent, and hydrocarbons by 50 percent.

New measures also will make sure Seattle's booming cruise business protects Puget Sound. Two cruise operators at Terminal 30 have plugged

ships into city power for two years, and this year all cruise lines serving Seattle will plug into shore power while at berth or use low-sulfur fuel.

In spring 2007, a first-ever inventory of Puget Sound maritime air emissions was completed in cooperation with its shipping industry partners.

At the BNSF Railway, locomotives and yard equipment are continually being upgraded to provide cleaner efficiencies. As part of a \$40 million expansion to the Seattle International Gateway intermodal yard, the company added new rail-mounted, wide-span gantry cranes capable of doubling the overall yard capacity – all electrically powered with almost no detrimental air emissions.

In 2007 UP continued to add new locomotives, all of which represented a new generation of environmentally friendly and fuel-efficient units that will help us become a better neighbor within the communities it serves. In 2008 UP expects to continue these improvements with a capital program similar in breadth to 2007's.

The trucking industry is currently on the second generation of cleaner diesel engines, with the third generation due in 2010. The new engines and low sulfur diesel have dramatically improved air quality by lessening diesel emissions, but environmentally friendly technologies do not come cheaply.



The Port of Seattle has received a Clean Air Excellence Award from the U.S. Environmental Protection Agency for its proactive air quality efforts.



DON WILSON

"As port operations grow, we need to be a good environmental steward and a good neighbor to the community."

John Creighton
president, Port of Seattle,
FMSIB board member



DON WILSON

Freight Mobility Strategic Investment Board staff

Karen Schmidt
Executive Director

Donna Veley
Confidential Secretary

Marsha Gehring
Confidential Secretary

document prepared by



LUND CONSULTING INC.



State of Washington
Freight Mobility Strategic Investment Board
1063 Capitol Way, Suite 201
P. O. Box 40965
Olympia, WA 98504-0965
(360) 586-9695
www.fmsib.wa.gov