

Southern California Leadership Council

POSITION PAPER

A NEW, PRIVATELY FINANCED

SOUTHERN CALIFORNIA TRADE CORRIDOR SYSTEM

Southern California has become a global leader in trade and logistics. Over 44% of the waterborne trade in the U.S. moves through our San Pedro Bay Ports with 60% of the goods moving on through the region to the rest of North America. The Otay Mesa is another significant point of entry for goods moving from Mexico into the region through San Diego. Trade volumes will triple over the next 20 years bringing the opportunity for more than a million new jobs. However, our region's highways and rail systems are already at a breaking point and public health is at risk due to worsening air quality along our trade corridors. Available public funds do not exist to solve this crisis. We must harness the multiplier effect of private sector investment in new, clean, goods movement and trade corridor infrastructure. Numerous examples already exist in the U.S. and abroad where governments have adopted public policies that invite private enterprise to design, fund, build, maintain and operate major infrastructure projects and services. Funding consortiums and public/ private partnerships must be encouraged to attract the necessary capital, and construction and operating expertise to create the new, world class logistical systems needed to relieve congestion and clean our air. The region's quality of life and economic prosperity are on the line.

In late 2005 when the Southern California Leadership Council (SCLC) was formed, the need for modernized trade corridors was just beginning to gain common recognition and understanding in the state as a critical policy issue. Because of the combination of economic benefits, job opportunities and quality of life impacts, SCLC chose goods movement and the need for modern trade corridors as a first priority, regional initiative.

Goods movement and trade corridor infrastructure have now become an accepted focus of federal, state and regional planning and funding efforts. With the work of the Governor, the California Business, Transportation and Housing Agency, the legislature and regional transportation agencies, and the voters' passage of Proposition 1B in November, 2006, we now have \$3 Billion of approved Bond funding to invest in trade corridor infrastructure and environmental enhancements. While a break through in strategic investment by the state, these dollars along with funds from traditional federal transportation funding mechanisms are woefully inadequate.

SCLC has worked with state, regional and county agencies to identify 40 projects, with a cost of over \$10 billion that need to be completed within the Southern California and San Diego trade corridors in the next ten years to add needed capacity and eliminate bottlenecks, congestion, and community and air quality impacts to address the double-digit growth of container shipments moving through our region. Most of these projects will receive funding consideration as part of the Proposition 1B process but are contingent on matching funds from other sources including the private sector. SCAG now estimates the longer term infrastructure and environmental solutions needed for our trade corridors will exceed \$40 billion with another \$100 Billion for other

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transportation and transit needs in the six counties. SCAG, SANDAG and the SCLC are pursuing federal tax credit strategies to help stimulate private sector investment.

Because of the unrelenting growth in trade, coupled with an expected 60% growth in population (equivalent to more than two Chicagos), the South Coast Air Quality Management District, working with the Southern California Association of Governments (SCAG) has concluded that notwithstanding the projected improvements in goods movement infrastructure, new cleaner technologies planned for trains, trucks and ships, and other environmental mitigations, Southern California will not be able to achieve federal air quality compliance and will continue to suffer the public health consequences. This has caused SCAG to embark upon the planning for new transportation systems like user funded, dedicated truck lanes and a High Speed Rail Transport System. Similarly, the San Diego Association of Governments (SANDAG) has identified the need for a new, user funded, dedicated truck crossing at Otay Mesa and related highway improvements to deal with the thousands of idled trucks and related air quality impacts at the border.

The SCLC believes, at this point, that it can be most effective in helping Southern California address its goods movement challenges by promoting a holistic regional vision for a modern, clean Southern California Trade Corridor System financed primarily by private sector investment, while continuing to pursue its list of 40 near-term projects as first phase improvements.

THE VISION

Southern California, as a global leader in trade and logistics, and a region built upon a unique quality of life, needs a modern Southern California Trade Corridor System supported by public/private partnerships which delivers world class, state of the art, just in time logistics services that are community and environment friendly. Attracting the private sector as a partner will enable us to achieve this vision.

Simply improving our existing infrastructure and conveyance systems incrementally will not achieve this goal, although such improvements are essential to deal with our near term growth challenges. New plans and technologies for clean vessel, rail and roadway systems are essential. More portside and inland intermodal and distribution center capacity must be key components, to effectively stage the efficient flow of goods. The System must be planned to minimize unnecessary or inefficient truck movement to reduce congestion and air quality impacts. More rail capacity and a short haul rail or alternative conveyance system between ports and inland distribution centers will become essential. A short sea coastal shipping alternative should also be considered to move goods north and south. A new truck crossing at the Mexican/California border and dedicated truck lanes on selected highways to move these goods through the region are also necessary.

The following Major Projects comprise potential components of the “Regional System” and should each be pursued as alternative and/or complimentary strategies:

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Southern California Trade Corridor—A comprehensive, four county, “corridor of national significance” comprised of rail and highway improvements including near- dock intermodal and inland distribution center facilities to minimize at grade conflicts, debottleneck and expand rail capacity including elimination of millions of unnecessary truck trips between the ports and other loading facilities. Ultimately the project must include a third rail line to facilitate the movement of both passengers and freight throughout the region. New, cleaner, hostler, rail and conveyance technologies must also be included. Without such environmental solutions, electrification of rail will, in all likelihood, become a regional mandate in the corridor.

ACTA’s Shuttle Train—A short haul rail service to move containers bound between the ports and inland distribution centers eliminating millions of local truck trips on our local highways. The third rail line of the Alameda Corridor East system is an essential component of this service as container volumes continue to grow, although it could be started on a trial basis sooner.

MARAD’s Short Sea Shipping Initiative—A waterborne intra-coastal transportation service between ports such as LA/LB, San Diego, Port Hueneme and Oakland, to reduce intrastate truck trips, congestion and air pollution.

SCAG’s High Speed Transportation System (HSTS)—A new, zero emission rail system to move containers between the ports and inland distribution centers and passengers between LAX and Ontario Airport to promote airport regionalization.

SCAG’s Regional Truckway System—142 miles of new, center-line, dedicated truck lanes from the San Pedro Bay Ports east toward Barstow. This truck only system would use graduated toll rates, enable the use of multiple-container rigs, and require alternative cleans technology trucks to reduce highway congestion and improve air quality.

SANDAG’s Otay Mesa Binational Truck Crossing—A new, dedicated, user fee based border crossing to eliminate delays, unnecessary idling and diesel pollution, along with associated highway and rail improvements.

Because of the sheer magnitude of the goods movement volumes expected, public sector funding, while necessary, will be woefully short of that needed. Private sector investment, stimulated by tax credits and even smart subsidies to promote best solutions will be essential. Each component of this potential system will be subject to the need for market based support to attract the capital and pay for operations and debt costs.

Each project will have its own unique economic and financial characteristics. The Southern California Trade Corridor, as an example, will involve multiple projects; some funded by private sector interests like the railroads and others funded by public sector interests like the Ports, JPA’s like ACTA and Alameda Corridor East, and Transportation

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Agencies like MTA, RCTC, SANBAG, etc. Others will present opportunities for public private partnerships and multiple funders.

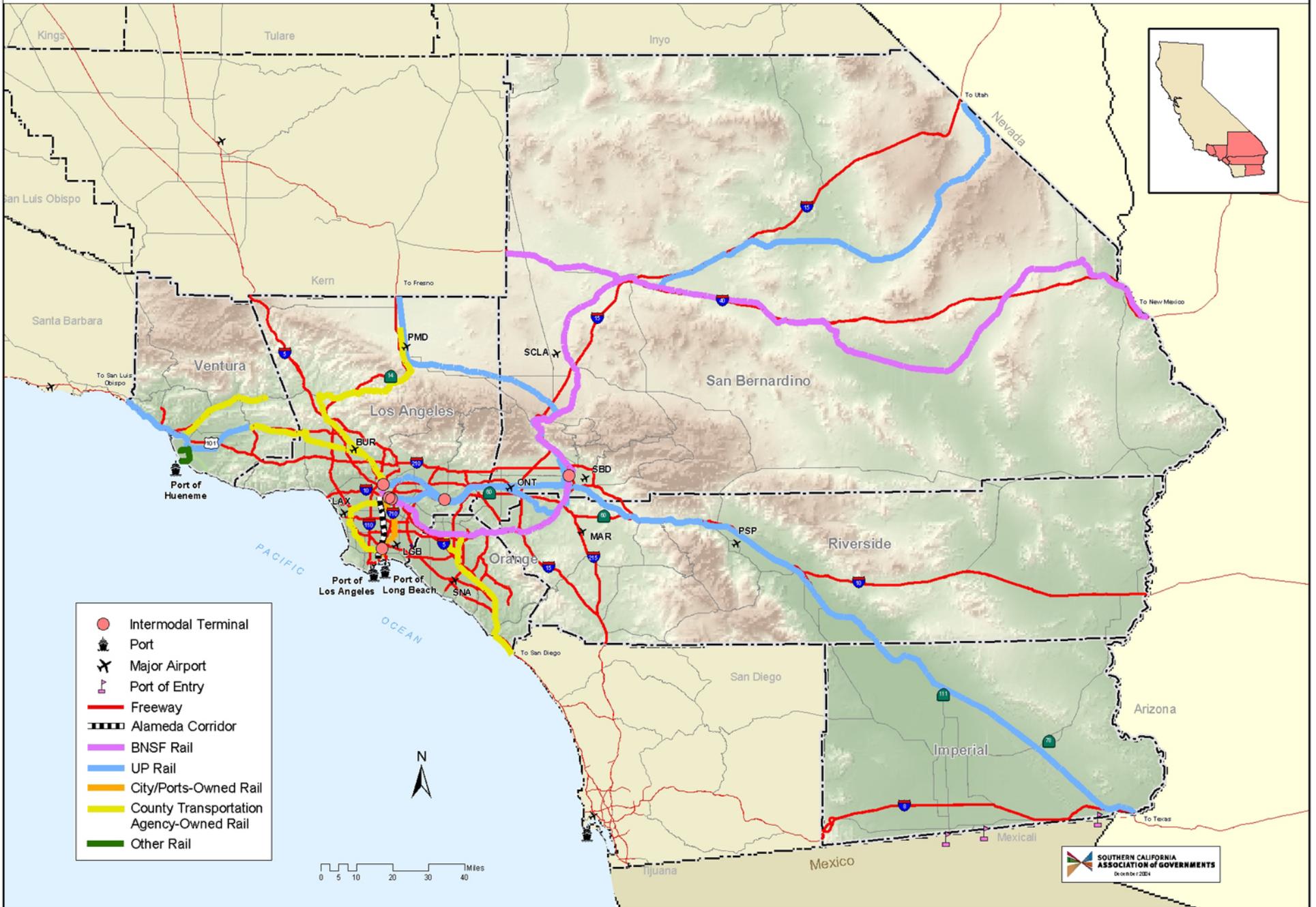
Others like the Short Sea Shipping and SCAG's HSTS and SANDAG's Otay Truck Crossing and Truck Only Lanes will need to be packaged and offered to investment consortiums who can fund, construct and operate the systems.

California was once at the forefront of public-private partnership use in transportation. Led by the Orange County Transportation Corridor Agencies, California pioneered the successful development and implementation of these tools. The Alameda Corridor Transportation Authority was a highly successful example of a JPA type structure built upon operating agreements with private railroads using federal loan mechanisms and throughput fees for repayment. Other states quickly realized the value of such partnerships, however, and today have moved ahead of California in identifying projects and preparing and submitting applications for \$15 billion in available federal support.

This is a critical time for California. If our leadership commits to a long-term PPP strategy, it could attract billions of dollars in private investment for new construction to ensure our future prosperity and quality of life. However, a basic change in mindset by today's public sector leaders in California is essential. A conscious effort to create more of a win-win perspective on the variety of possible financial and operating alternatives and structures for new infrastructure and services must be undertaken with the objective of creating a more welcome, stable environment for investment. The current uncertainty and distrust between the public and private sectors will block the opportunity we have to solve the crisis and seize the opportunity. The SCLC is dedicated to facilitating this transformation from policy deadlock to policy framework. An Addendum to this Vision is attached detailing best practices in attracting private capital and ingenuity as a partner.

Also attached are maps showing key components and likely routes and timelines for SCLC's Southern California Trade Corridors System Vision:

Map 1. Existing Goods Movement System in the SCAG Region



Map 2. Needed Additions to the Goods Movement System



* Regarding SR-60 and I-5, route and scope may change depending on the results of the Multi-County Goods Movement Action Plan.

*Draft
Concept
Map*



Goods Movement Improvement Program

San Diego Region

1 Air Cargo

Border

2 SR 905

3 SR 11/New Border Crossing

4 Maritime

5 Pipeline

Rail

6 Coastal/SPRINTER

6A High Speed Rail/Inland

7 South/MEX

7A Desert

Road/Managed Lanes

8 I-5

9 I-15

10 I-805

11 SR 94/125, I-8

12 SR 125/Toll

13 SR 54/125/52/67/94 Outer Loop



March 2006