

# Freight Enhancement Program

## Objective

Implementation of a multimodal funding process focusing on maintaining high priority freight assets and corridors is critical to support the movement of freight: into, out of, within, and through the state. This process is based on partnerships with freight stakeholders and public officials to identify the greatest freight movement needs and remove barriers to efficient movement of goods through capital improvements to the system.

## Missouri's Strategic Advantages

Freight includes movement of a wide range of products from packages delivered by the USPS to your front door to barges full of grain on the way to international markets. It travels by truck, rail, water and air to and from markets around the state, around the nation and internationally. How efficiently the freight moves largely determines the price of goods at the market in Missouri and the competitiveness of Missouri products in the national and international markets.

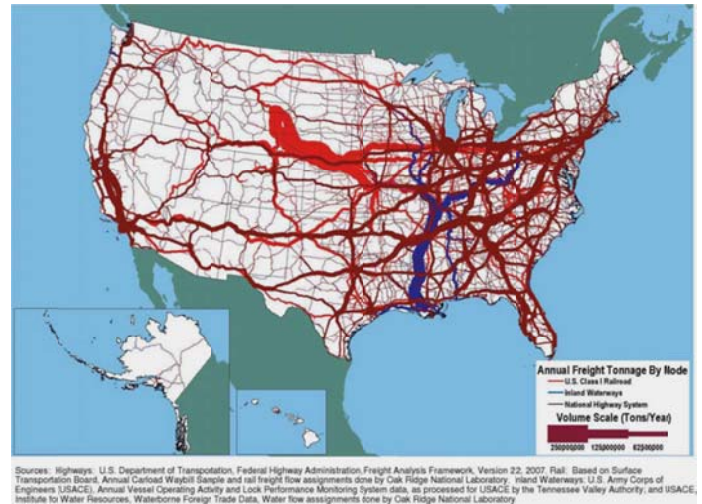
Missouri is strategically located in the center of the country within 500 miles of:

- 43 percent of the U.S. population.
- 41 percent of total U.S. buying power.
- 44 percent of total U.S. wholesale trade.
- 44 percent of all U.S. manufacturing plants.
- 7 of the 25 top international cargo hubs in the U.S

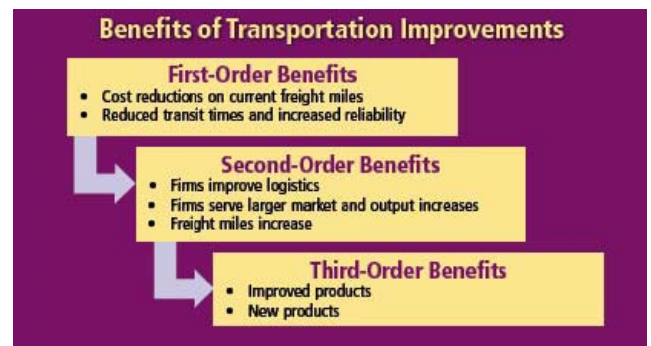
Missouri's transportation assets in rail, water, interstate, and airports combined with Missouri's strategic location provides great opportunity to become a freight center of the nation. In fact, Missouri's 2011 Final Report of the Strategic Initiative for Economic Growth identified freight haulers and logistics as one of seven target clusters for economic growth in the future.

The accompanying map depicts the large volume of freight currently moving into, out of and through Missouri. The volume shown is anticipated to increase by 50% before 2040.

The economic recession has taken its toll on each state's transportation assets. State and federal revenues decreased and many freight movement assets are falling into disrepair. This is creating opportunities for shifting freight patterns between states and modes.



There are also several recent and upcoming events that will impact freight patterns for years to come. First, when the Panama Canal expansion is completed in 2016, there will be a change in shipping patterns based upon those ports which have already prepared for large container vessels. Domestic freight movement would then be based from these ports. Second, the long-haul truck driver shortage is becoming more intense as older drivers retire and younger drivers are not replenishing these openings. The state that helps these companies modify business plans to adapt to this shortage will gain modal share of these companies. Third, containerized shipments are predicted to grow substantially in the next decades, thus decreasing overall transport costs. Inland waterways freight movers must upgrade facilities to be able to send and receive containerized cargo to compete in national and international markets. And finally, the increase in diesel fuel costs is predicted to shift more freight from trucks to intermodal where shipments would be carried by rail and/or marine vessels for a large portion of their trips. This may reduce transport costs, but will increase overall shipment times.



Transportation investments provide three levels of benefits to businesses. First is lower overhead costs to the current businesses to sustain their presence in the state. Second, the improved transportation system provides opportunities for expansion of these firms.

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Expansion translates into job opportunities for the state. The third benefit of a reliable, efficient transportation system is the opportunity to gain new businesses to the state bringing with them jobs and revenue.

As global economies continue the climb out of recession, the state that provides preferred solutions for businesses to take advantage of the shifting freight situation will be poised to capture greater market share and economic growth and prosperity. Missouri must make strategic transportation investments to capture those opportunities.

### Strategic Transportation Needs

Pressing freight transportation needs exist in every mode and in every county in Missouri. With reduced state and federal revenues, these needs will continue to grow. Therefore it is critical that Missouri prioritize those that can provide the greatest opportunity to capture the market shares for Missouri.

The interface among major transportation modes (highway, rail, air, water) is a critical junction point in the freight mobility and goods movement chain. These junction point needs are often the most difficult to fund because most available funds are dedicated only to one mode. Examples of this in Missouri are the dedicated state road funds, federal rail funds, federal aviation funds, and General Revenue for port operations. However, Missouri also has the State Transportation Fund. This fund has a growing balance and flexibility to be used on any non-highway mode of transportation and the junction points between them.

Multimodal Operations Division uses the balance of the State Transportation Fund for the freight enhancement program for capital improvement construction for all non-highway modes and the junction points. This program is patterned after successful programs by Florida's Strategic Intermodal System, Oregon's Transportation Investment Act, and Washington's Mobility Strategic Investment Board. Key provisions of

these programs are multimodal focus, investment on a few key strategic assets, and stakeholder involvement in the decision making process.

Applications for this program are collected annually and evaluated based upon the project prioritization processes and goals developed in the State Freight Plan.

Some basic ground rules for the freight program.

- Applicants can be public, not-for-profit, or private entity.
- Minimum 20% match required with priority being given to those with higher matching funds
- Project must be part of a statewide or regional plan or support the goals of those plans such as State Freight Plan, MoDOT's Long Range Transportation Plan, MPO Long Range Plans or Missouri's Strategic Initiative for Economic Growth
- Construction of improvements or purchase of equipment (such as crane to move containers at ports or a transloading facility) would be eligible. Operating costs and studies are not eligible.
- Must be used for transportation purposes other than highways in accordance with RSMo 226.225 that created the State Transportation Fund.

It is anticipated the STF balance will provide matching funds for two to three needs annually. However, as the needs are identified other sources of funding will be investigated including the modal funds discussed earlier.

These funds must be allocated annually through the General Assembly budget process. For FY17, MoDOT requested \$1 million for the program. The call for project applications will begin in March with final selections completed in June. If funding is approved by both MHTC and the General Assembly for the State FY2017 budget, the approved list of projects would be presented to MHTC for addition to the STIP.