



**TEXAS
FREIGHT
ADVISORY
COMMITTEE**



Texas
Department
of Transportation

Freight Advisory Committee

Aug. 14, 2014, 8:30 a.m.

Permian Basin Petroleum Museum, Midland, Texas

Attendees

Committee Member	Organization	Attendance
Judge Ed Emmett, Chair	Harris County	Present
Judge Carlos H. Cascos, Vice-Chair	Cameron County	Not Present
French F. Thompson, III	BNSF	Present
Keith Patridge	McAllen Economic Development Corporation and McAllen Foreign Trade Zone	Present
Steve Stewart	Gulf Winds International, Inc.	Designee Present (Patrick Maher)
Kevin McIntosh	Kansas City Southern (KCSR)	Present
Brenda Mainwaring	Union Pacific Railroad	Present
Joseph Adams		Not Present
Mike Graham, Sr.	HEB	Present
Michael Dyll	Texas International Freight	Present
K. Alan Russell	The Tecma Group of Companies	Present
Jack Todd	Texas Association of Manufacturers	Not Present
John LaRue	Texas Ports Association, Port of Corpus Christi	Present
Judge Clay Lewis Jenkins	Dallas County	Designee Present (Lauren Trimble)
Amir Mirabi	Governor's Office of Economic Development	Not Present
Carlton Schwab	Texas Economic Development Council	Not Present
Kenneth Dierschke	Texas Farm Bureau	Present
Steve Boecking	Alliance Texas	Not Present
John Esparza	Texas Trucking Association	Designee Present (Les Findeisen)
Todd Frease, Sr.	McLane Global Logistics	Not Present
Ronnie Volkening	Texas Retail Association	Not Present
Miguel Perez	Border Trade Alliance	Not Present
Ron Beeson	East Harris County Manufacturers Association	Present
Roger Guenther	Port of Houston Authority	Designee Present (Charlie Jenkins)
John Hill	Gulf and West Coast for	Not Present

	Hapag Lloyd	
Senator Sylvia R. Garcia	Texas State Senator: District 6	Designee Present (Derek Darnell)

TxDOT & Texas A&M Transportation Institute (TTI)

Lt. Gen. Joe Weber	Executive Director, TxDOT
Marc Williams, PE	Director of Planning, TxDOT
Caroline Mays, AICP	Interim Freight Systems Branch Manager, TxDOT
Sondra Johnson	Planning and Programming, TxDOT
Ed P. Pensock Jr., P.E.	Director of Strategic Projects Division, TxDOT
Dr. Brianne Glover	Texas A&M Transportation Institute
Bill Orr	Design Division, TxDOT
Cindy Mueller	Statewide MPO Coordinator, TxDOT
Eduardo Hagert	Federal Affairs Division, International Relations Office, TxDOT
Gary Law	Director of Transportation Planning and Development, TxDOT
Gene Powell	Public Information Officer, TxDOT
Jack Foster	TPP Division, TxDOT
Peggy Thurin	TPP Division, TxDOT
Jay Bond	State Legislative Affairs, TxDOT
Mark Werner	Rail Division, TxDOT
Matt Carr	TxDOT
Stephanie Cribbs	TxDOT
Joe Clark	TxDOT
Bill Frawley	Texas A&M Transportation Institute

Other Speakers

James Beauchamp	President, MOTRAN
D. Kirk Edwards	President, Las Colinas Energy Partners
L.D. "Buddy" Sipes	LEAP Rail District
Brian Lucas	Bulk Transfer
Courtney Sharp	City Manager, City of Midland
Pamela Welch	Executive Director, Midland Development Corporation
Dr. Brianne Glover	Texas Transportation Institute

CDM Smith Consultant Team

Vince Mantero, AICP	CDM Smith
Janna Rosenthal	CDM Smith
Mark Berndt	Olsson Associates
Marie Lewis Adams	Nancy Ledbetter & Associates, Inc.

Other Attendees

Richard Zientek – County Judge Emmett’s Office
Cameron Walker, Motor MPO
Eric Garcia, Motor MPO
Lorraine Quimiro, MOTOR MPO
Gloria Pena, MOTRAN Transportation Alliance
J.D. Faircloth, MOTRAN Transportation Alliance
Dan Seedah, University of Texas at Austin
Georgi Jasenovec, FHWA

Joel Garza, Harlingen-San Benito MPO
John B. Love III, Midland City Council

Jacob Giesbrecht, Presidio County
Jose Ortiz, City of Midland
Martin Molloy, Halff Associates
Michael Bomba, University of North Texas
Rina Bale, American Commercial College
Robert Donnelly, Midland County Commissioner
Sherry Pifer, SH 130 Concession Company
Stephen W. Lazzari, Union Pacific Railroad
Glen Jones, Texas Farm Bureau
Ron Eckert, Conoco-Phillips
Stu Mussler, Conoco-Phillips
John Cunningham
Claire Shaw
Mike Green

Meeting Action Items

Texas Freight Mobility Plan – Draft Key Policy Recommendations

- Add to the second bullet under “Energy Sector Development Transportation” to include not just energy traveling to refineries, but through to other destinations
- Under “Maritime Freight Transportation,” add a comment about pipelines in the first bullet, and include the Gulf Intracoastal Waterway
- Under “Pipeline Infrastructure,” remove comment about modal competition or delete second bullet entirely
- Add a bullet point on Rural Rail Transportation Districts on page 7 of the recommendation booklet

Texas Freight Mobility Plan – Final Report Chapters

- On page 6 of the Introduction, change Burlington Northern Santa Fe to BNSF
- Combine or clarify economic competitiveness vs. economic efficiency
- Include more dots in the Chapter 2 graphics linking needs and objectives

1. Welcome & Introductions

Judge Emmett opened the meeting and welcomed committee members and brief introductions took place.

Caroline Mays stated that the meeting is critical given that the project team will be discussing policy recommendations, and needs feedback from the TxFAC. The team needs consensus from the committee on policy recommendations in order to move the plan forward.

Marc Williams added that the discussion will directly impact the Freight Plan, and the team needs to know if committee members have any concerns with the recommendations. The team wants to hear feedback, pros and cons.

Ms. Mays said the first half of the meeting will focus on the Freight Plan. It will start with an overview of the listening sessions, then draft policies, and then funding issues. Funding is a key element of the policy recommendations.

Judge Emmett introduced TxDOT Executive Director Lt. Gen. Joe Weber. General Weber stated that the Texas Freight Mobility Plan (TFMP) and the committee's work are very valuable to the state. He thanked TxFAC members for their participation.

General Weber said it was good to leave the TxDOT Greer Building and see other things that are going on in the State. In 1991, the state legislature decided to change the Texas Highway Department to the Texas Department of Transportation. Transportation is about more than highways. He stated that we need modal integration to link the transportation system together. If the State does not integrate all modes, the transportation network will be developed in piecemeal fashion that will not serve the needs of the growing economy. It all needs to fit together. Transportation is more than movement of people; it is movement of goods, services and distribution. With a good transportation network, the economy flourishes, attracts new people to Texas, new businesses, and frees up resources. Money is a key part of this discussion; it is ironic that the state is booming economically, but does not have enough money. We will never have enough money, but we have a lot of money, especially as compared to other states. We need to decide how to prioritize and spend money to improve the economy and quality of life.

2. Freight Plan – Stakeholder Outreach Summary

Vince Mantero delivered a presentation summarizing comments received during recent "listening session" meetings across the state. In June/July 2014, the project team embarked on a second round of listening sessions (the first occurred in June 2013) and visited 12 cities across the state. The purpose of the Listening Sessions was to present draft Freight Plan recommendations and included discussion on highway, railroad, maritime, air cargo, NAFTA and border/ports of entry, planning, funding/financing, and policies. Mr. Mantero presented key elements from each category that came up during multiple sessions. He explained the input received from stakeholders will be used to refine the Freight Plan policies as well as contribute to the prioritization of recommendations.

Judge Emmett suggested the group continue by discussing the recommendations that came out of the sessions. How was the listening session input incorporated into the policy recommendations?

Caroline Mays said the recommendations were not a direct outcome of the sessions. Participants were reacting to the same recommendations presented to the TxFAC in May and asked their opinions. The policy recommendations, however, did incorporate input received during the listening sessions.

3. Freight Plan – Draft Policy Recommendations

Vince Mantero delivered a presentation on draft Freight Plan key policy recommendations. The 21 recommendations are intended to address needs and gaps throughout the freight network, and provide a framework for more specific objectives. He encouraged TxFAC members to

provide input on these policies, as they will form a crucial component of the Freight Plan structure. The first policy recommendation discussed was Freight Network Designation and Investment in the Freight Plan would recommend TxDOT adopt the Texas Freight Network as the strategic framework for statewide transportation investment decisions.

Freight Network Designation and Investment

General Weber asked whether TxDOT adopting a strategic freight network would imply that TxDOT's partners (MPOs, RMAs, etc.) would need to adopt the network as well.

Mr. Mantero said the network would likely provide guidance to partners, but they would not be required to adopt it.

Marc Williams agreed the strategic freight network would be a guide to other entities. It will include corridors TxDOT sees as critical to the efficient and safe movement of freight throughout the State. TxDOT hopes their partners would adopt and reflect this network in their own plans, but it would not necessarily restrain them if they wanted to develop their own networks.

Caroline Mays added that the strategic freight network provides MPOs with a big-picture framework, but first-mile and last-mile issues are the domain of each individual region. They need to make sure those first-mile and last-mile connections are in place; that is where their role comes in.

Judge Emmett asked whether the lines shown on the strategic freight network map were only highways.

Ms. Mays said the TFMP includes maps for all modes, and the highway network map was just an example. The strategic freight network is multimodal.

Multimodal Connectivity

French Thompson said railroads and the trucking industry are not only engaged in modal competition, but also modal collaboration. The recommendations need to go beyond competition and add collaboration.

Rural Connectivity and System-Based Approach

General Weber said the system-based approach is critical. Does the committee think the state of Texas needs this kind of supply-chain thinking? This would be a cultural change for TxDOT, and may require some "missionary" work.

Judge Emmett said the state of Texas does need a different approach. Going back to rural issues, if the state were to restrict spending to population increase plus inflation, rural areas would never be able to compete. Also, "return to sender" taxing, where an area gets an equivalent amount of funding to what they contribute in taxes, just does not work. The federal highway system would have never been built if this notion were in place at the time. The state needs to improve a whole network, not just individual regions. The team needs to spread the word about this.

Keith Patridge agreed, saying many elected official positions are reflective of their constituencies who do not understand the supply chain. For instance, most people don't even know where mil comes from. Economic success is reflective of a whole network working together, not just individual pieces. Missionary work is required to change attitudes.

Texas Freight Network Design Guidelines and Implementation

Kenneth Diershcke asked whether the Freight Plan will include a discussion on overhead freight systems, such as the freight shuttle.

Mr. Mantero said yes, there will be a section on technology.

Freight Transportation Asset Management

Regarding Asset Management and specifically the second bullet on the slide (Protect the investments the State has already made in the Texas Freight Network), Michael Dyll questioned the notion of protecting investments if they were bad investments in the first place. Also, the first bullet point on the slide (Maximize the capacity of the existing freight transportation assets) sounds like the recommendation is just to “make everything bigger,” which might not drive innovative thinking.

Freight-Based Technology Solutions and Innovation

General Weber said this is very important, and TxDOT needs to raise the level of its research. TxDOT is looking at topics such as how to make pavement quieter, which is important, but they need to go further than that. He said the private sector is probably doing a lot of research that the public sector is unaware of, and TxDOT needs to bring together the various entities that are looking into new technologies.

Judge Emmett echoed that technology is a key point. In terms of the freight shuttle, however, should the state put its money behind research before first talking to the railroads and asking them if they can serve the same purpose? He was willing to bet the railroads would say they are already doing what the freight shuttle is proposed to do. Does the state really get a “bang for its buck” on this type of technology?

General Weber said the state might not want to spend its money on research for something the private sector is already looking into, when that money could better be spent on transportation investments.

Brenda Mainwaring stated that it is the state’s role to look at new technology; it is not always the private sector’s responsibility if there is no clear return on investment. Railroads have changed a lot in the past few decades, and are undertaking significant research and innovation. What constitutes “long haul” and “short haul” has changed as well. There are some railroad solutions which can help connect cities (like Dallas and Houston) which would not involve freight shuttle, but TxDOT might want to study the freight shuttle for other purposes. The railroads would like for TxDOT to come to them and ask how they (the railroads) can help. She stressed that TxDOT needs to facilitate transportation technological research, innovation, and implementation.

Caroline Mays said the team has heard a lot from the industry about the need for traveler information, such as where there are accidents, construction, bad weather, etc. Why doesn’t TxDOT have 511 or a statewide traffic management center? This is low-hanging fruit that could greatly help the industry.

General Weber noted most people have a lot of this type of information on their iPhones already, and questioned whether TxDOT needed to spend money on this.

Alan Russell said a logical place for the freight shuttle to prove itself is at the international border. There is a lot of congestion at border crossings, and the freight shuttle could prove its viability short-distance by bypassing traffic. Getting it funded and tested is the challenge. TxDOT can help coordinate cross-border authorities to help get this in place.

Energy Sector Development Transportation

John LaRue said the second bullet point on the slide (Ensure that there is a robust freight transportation network to transport oil and gas to the refineries and the refined product to its final markets, and that state and local highways serving oil and gas production areas can be adequately maintained) does not go far enough; it only talks about oil traveling to refineries, but most energy freight is just passing through and heading to other gulf ports on the east coast or Canada.

Buddy Sipes noted there is not enough network capacity to move freight out of the burgeoning energy sector areas. It affects the economics considerably.

Mr. LaRue said it might make sense for the state to incentivize more pipeline capacity from these areas to ports in Texas, because it will take those loads off the highways. He was not sure how TxDOT, the Railroad Commission, etc. could help, but pipeline capacity is currently full and in need of expansion.

Judge Emmett said the Port of Victoria now has 900 trucks a day coming in on Farm-to-Market and county roads. Pipelines could solve that issue. The state will not want to invest in highway improvements if a pipeline will be built in two years' time. He posed the question - How does the State engage in a discussion about pipeline infrastructure?

Maritime Freight Transportation

In the maritime section, John LaRue suggested adding language about pipelines in the first bullet point (Assist in identifying improvements for enhanced rail and truck access to Texas ports).

Judge Emmett suggested adding the Gulf Intracoastal Waterway into the maritime recommendations as well, not just the ports.

Pipeline Infrastructure

Brenda Mainwaring noted she did not think the railroads were interested in a modal shift away from rail.

General Weber asked whether the rail industry could haul all of the oil and gas which needs to be transported around the state.

Ms. Mainwaring said the railroads do not have enough capacity to haul it all, but they want to haul as much as they safely can.

General Weber noted if pipelines could move more freight, it could eliminate some at-grade issues, safety concerns and liability, it would be a benefit. He added that all modes of freight transportation need to work together to move freight more efficiently and safely in Texas.

Kevin McIntosh said he would push back on the safety comment, as rail is one of the safest modes for transporting oil and gas, although he agreed about the liability issues.

French Thompson said it all goes back to modal collaboration. It may be beneficial to shift some cargo around to different modes, but it will be hard for the railroads to sign off on a recommendation that specifically suggests a shift away from rail. TxDOT needs to promote the collaboration aspect as much as possible.

Michael Dyll stated he was a fan of competition, and collaboration is a part of competition. If it makes more sense for freight to move using one mode versus another, the state should let that happen and not interfere.

General Weber said rail is hauling a lot more than toxic chemicals, and pipelines are not always the answer.

Caroline Mays said to clarify the language, the team will remove “competition” and focus on collaboration. TxDOT needs to make sure the committee is comfortable with the recommendations.

Charlie Jenkins noted freight does not care which mode it travels on, it wants the lowest cost option that is safe and efficient. The recommendation about pipelines is no more aggressive than the other recommendations about improving rail service. The state needs to focus on low-cost supply chains because that drives economic development. Pipeline companies would probably have the same comments about the recommendations to expand rail service.

Judge Emmett said the slide might not even need the second bullet (Encourage a modal shift for commodities that can be shipped by pipelines and minimize the impact of oil and gas development and production on roadways and rail infrastructure); it adds nothing other than a point of contention.

Funding and Finance

Judge Emmett stated sometime during this meeting, the team needs to talk about “381” projects, such as when a developer will fund a project and then be reimbursed over time. He was not sure how that fits into this discussion, but if there is a major developer coming in that will use the freight network and be able to front some of the costs for improvements and then get reimbursed later. that can be a benefit. The Judge also noted that there was no mention of Rural Rail Districts.

Marc Williams said public-private partnerships (PPPs) and related elements are an important part of the Freight Plan recommendations. Comprehensive Development Agreements (CDAs) will be discussed later in the meeting. There are many recommendations that did not make it into the PowerPoint presentation. He encouraged the committee to thoroughly review all of the recommendations and send comments to TxDOT.

General

Judge Emmett asked the committee to send comments to Caroline Mays after thoroughly reviewing the recommendations. He asked whether there was any mention of Rural Rail Transportation Districts (RRTDs), as that comment had come up several times.

French Thompson suggested adding a bullet point on RRTDs on page 7 of the policy recommendation booklet.

Kenneth Dierschke asked which organization has authority over pipelines in Texas (TxFAC members replied the Railroad Commission). He inquired about the relationship between TxDOT and the Railroad Commission.

General Weber said he wished the relationship was closer, and that it should be improved. He also said in the report, the words “promote”, “analyze”, “explore”, etc. are fine but the Freight Plan needs to include more action-oriented terms. TxDOT does not want the plan to sit on a shelf. He hopes to look into what legislation TxDOT needs in order to implement the Freight Plan, and whether any standing legislative committees are needed to keep the fires burning and move the plan forward.

4. Comprehensive Development Agreements (CDAs)

Marc Williams introduced Ed Pensock, head of TxDOT’s Strategic Projects Division. He noted that Comprehensive Development Agreements (CDAs) in Texas have focused mostly on highway projects, although TxDOT does have a partnership executed through the Texas A&M Transportation Institute (TTI) for the freight shuttle. There could be an opportunity to expand the use of CDAs to address a wider modal set of projects. They hope to reach out to the rail industry and others, to work in more of a structured partnership. Texas has led the nation in CDAs and PPPs.

Ed Pensock delivered a presentation on CDAs. He discussed CDAs as alternative project delivery methods which can help with up-front project funding, risk reduction, and collaboration with the private sector. He gave examples of CDAs in Texas, and provided an overview of the legislation that regulates CDA procedures. While most CDAs have occurred on the highway side, there are opportunities on the rail side to complete mutually-beneficial projects such as grade separations, relocating tracks, and capacity improvements.

Judge Emmett noted the reduction in legislative authority for CDAs in the mid-2000s was the result of the Trans-Texas Corridor (TTC). There was a lot of discussion and concern at the time about private development of infrastructure, and foreign ownership of toll roads. There are people out there who are still touchy about the issue.

General Weber noted some of the elements the TTC was trying to achieve are included within the Freight Plan. The TTC was marketed terribly, but was innovative and included some good ideas.

Marc Williams said TxDOT wants to have specific, concrete recommendations about funding as part of Freight Plan. They want to clarify legislative language to remove the current ambiguity about its ability to work directly with private industry. Based on how things have happened over time, TxDOT leaders feel the organization lacks clear legislative authority. This is a priority for the next legislative session.

Brenda Mainwaring said private industry, and specifically railroads, appreciates the effort. They have talked about these topics for a long time. Union Pacific needs to collaborate better with TxDOT to leverage funds. She thanked TxDOT for looking into this.

French Thompson concurred. BNSF would like TxDOT to come meet with them in Fort Worth, as there are many opportunities. The organizations need to find places where priorities and opportunities overlap. The industry will need to know what the terms are, and what is in it for

TxDOT beyond modal diversion. What are we signing up for? We need to dive into that a bit more.

General Weber said it was not TxDOT's intention to dictate CDAs are the way things should be done in the state. All parties have different opinions on how things should be structured. TxDOT wants the private sector to make as much money as it can, as this is good for the economy, but we need to know how to do that. This is very important to us. Additionally, he noted that being at the TxFAC meeting has given him ideas to push transportation as a system across the State.

Mr. Pensock agreed it all comes down to money, and how to find it. CDAs are a tool to find potential opportunities, and the law can be tweaked to allow for additional opportunities. TxDOT cannot sign up for unlimited liability, and CDAs help minimize risk. Ultimately, TxDOT's main goal is to move people and goods efficiently and safely throughout the State.

Judge Emmett stated before the TFMP gets to the final recommendation stage, TxDOT and the railroads need to get together. Rail CDAs are much different than highway CDAs. Highway CDAs use private money for things that have always been publicly funded, while rail CDAs use public money for things that have traditionally been privately funded. He also asked whether TxDOT still owns the South Orient rail corridor, to which he received an affirmative response.

An audience member noted the Neches River bridge and Tower 55 are potential examples of PPPs with rail companies.

Marc Williams said the public and private sectors could work together by each contributing their own strengths. The private sector could bring in money, innovation, etc., while TxDOT is knowledgeable about environmental clearance, acquiring right-of-way, etc. That is how the partnerships work.

Buddy Sipes asked for a brief outline of the necessary changes to TxDOT's legislative authority to undertake CDAs.

Marc Williams said TxDOT would be looking to clarify some inconsistencies between Chapters 21 and 23, and possibly make some adjustments to allow the requirements in Chapter 21 to better serve the needs of the rail industry. It is important to work our State Legislative Affairs Office and the State legislature to carry changes forward and make these types of projects easier.

5. Transportation Funding

Dr. Brianne Glover delivered a presentation on Texas transportation funding. She discussed the growing population and economy in Texas, and the amount of funding needed to keep congestion in the state from getting worse. While the amount needed (\$270 billion over 25 years) is far beyond current funding levels, the economic cost of doing nothing is far greater. Dr. Glover described current revenue sources and the diminishing spending power of the fuel tax, which has not been raised since 1991. Transportation supply has not kept up with demand, and mobility will get worse until significant investment occurs. Increases in costs of overseas manufacturing and transportation, however, may be a strategic opportunity to move some of that activity back to Texas.

Michael Dyll asked which inflation rate TTI used for its analysis. Was it the Consumer Price Index (CPI)?

Marc Williams replied that TTI uses a transportation-specific index that is calculated annually, like a CPI dedicated to highway construction. It is a national standard.

Judge Emmett noted anything that the Freight Plan proposes is going to cost money, so it is good to have these specifics.

Ron Beeson asked whether \$270 billion is the amount the state would need to spend over a number of years, plus maintenance. How much is necessary per year to maintain the system?

Dr. Glover said that the \$270 billion covers a 25 year period.

Mr. Williams said the estimates originally included \$4 billion per year for improvements, and \$1 billion per year for maintenance. TxDOT upped the number to \$5 billion per year to include \$ 1 billion for energy sector roadway improvements. A lot of this information has been offered to legislative committees for transportation funding. TxDOT cannot advocate for anything but they can inform, educate, and cite information.

6. Freight Plan – Final Report

Caroline Mays said the TxFAC was getting to the point where the material presented is part of what the committee members will be endorsing in November for Commission approval. The team is outlining what shape the Freight Plan will take and what will be included. Policy recommendations will be included in the plan. The team needs to make sure the TxFAC is comfortable with the Plan layout. Two chapters were included within the meeting packets. She asked TxFAC members to read over the chapters in the next few days and send input to TxDOT. The next TxFAC meeting will include a full draft of the report.

Vince Mantero delivered a presentation on the Freight Plan final report chapters. He discussed proposed changes to the report outline, including the addition of three new chapters (State's Strategic Goals, Freight Forecast, and Strengths and Problems) and reorganizing stakeholder outreach into the Decision-Making Process chapter. The executive summary will include a high-level overview of the key themes from each section. As the TxFAC had been presented with printed draft copies of Chapters 1 and 2, Mr. Mantero described these chapters in more detail and asked the TxFAC to provide input.

Judge Emmett said the chapters were a wonderful start, but almost overwhelming. He asked about the intended audience for the document.

Marc Williams said the chapters were developed for a broad audience including stakeholders, partners (federal, MPOs), legislative members and the public. The project team needs to be strategic about what to include in order to not make it too overwhelming. There will be a standalone executive summary, policy recommendations, etc. so that TxDOT will have something short and high level to distribute as well.

Judge Emmett noted on page 6 of the introduction, Burlington Northern Santa Fe needs to be changed to BNSF. A lot of people will turn to exhibits 2-4 and 2-5 in the back of Chapter 2. One compares goals and objectives, and the other compares needs and objectives, which is confusing. Also on page 10, the "improve connectivity between rural and urban freight centers" objective only shows a green dot as relating to multimodal connectivity. It seems like it is also related to economic competitiveness, as are most of the objectives.

Marc Williams said the report specifics are more geared towards internal planning works and detailed staff matters rather than the general public. Chapter 2 is a necessary evil, but sometimes the project team does focus too much on the details. The project team needs the committee's feedback on the big picture, as sometimes it is as much subjective as objective.

Ms. Mays said in terms of Chapter 2, the project team needs to hear from the committee on which are the most important freight plan goals to Texas, as it is a MAP-21 requirement.

French Thompson said safety is rightfully the No. 1 goal. Multimodal connectivity (No. 4) is also pretty significant. Improving multimodal connectivity would improve many of the other goals, so it is one of the most important.

Judge Emmett mentioned he was troubled by the term "economic efficiency" next to "economic competitiveness."

Caroline Mays said that economic efficiency came from the national freight goals. State freight plans need to align with national goals, but perhaps it can be moved around so it is not as confusing.

Mike Graham asked whether economic efficiency was the same as modal efficiency, to which Caroline Mays replied yes.

Mr. Williams suggested combining economic competitiveness and efficiency (economic competitiveness/efficiency).

Mr. Mantero suggested economic efficiency might have to do with looking at things from a supply chain perspective, such as how generators connect to markets and to the transportation networks.

Judge Emmett said the committee has a lot to look at. The team should put as many "dots" on the goals and objectives graphics as possible; it tells a better story. He then asked whether the committee needed to meet in October.

Caroline Mays said the team needs to present the draft and receive public comment. They cannot present the draft and final reports at the same time. The committee will endorse the Freight Plan in November and recommend it for the Texas Transportation Commission adoption in December.

Judge Emmett asked whether a Nov. 17 meeting would work, at the TxDOT Riverside office. There were no objections.

Judge Emmett suggested Oct. 20 in Houston for the earlier meeting. The meeting would start at 10 a.m. to allow participants to arrive in the morning. There were no objections.

Caroline Mays agreed and suggested limiting the agenda to just focus on the Freight Plan.

7. Working Lunch – Speaker

Cameron Walker of Motor MPO thanked TxDOT and the TxFAC for coming to Midland/Odessa and participating in the oilfield tour. He introduced Jamie Faircloth, chairman of MOTRAN Transportation Alliance.

Mr. Faircloth provided an overview of MOTRAN and welcomed the TxFAC. He noted TxDOT has been a good partner to MOTRAN. He introduced James Beauchamp, MOTRAN president.

James Beauchamp delivered a presentation on energy and transportation trends in the Midland/Odessa area. He discussed the large amount of energy reserves in the Permian Basin, and the importance of the area to state and national energy supplies. The growth in energy-related activities is a boon for the local economy, and tax revenues contribute substantially to local government funds. The number of wells in the area continues to grow, along with growth in population, housing, hotels, services, etc. Unemployment is extremely low, although many people commute long distances to work.

Transportation is a crucial part of the energy production process, and there are many constraints on the current system. Pipeline capacity is limited. Trucks transporting both energy and supplies are often oversized/overweight, which many roads cannot handle. The 1960s highway infrastructure is outdated and cannot accommodate the increased congestion. Some issues include two-way frontage roads, tight turning radii, and non-signalized intersections. Accidents, including fatalities, occur frequently. Additional rail capacity could help mitigate the large amount of truck traffic in the area.

Improvements to the freight transportation network are crucial to the continued success of the Permian Basin area. Many projects are either planned or underway. Proposition 1 on the ballot in November will provide additional funding opportunities for these improvements.

8. Regional Oil and Gas Development

D. Kirk Edwards delivered a presentation on regional oil and gas development in the Midland/Odessa area. He provided a background on energy production in the United States, including volumes and pricing over time. Shale drilling developed rapidly in the mid-2000s, leading to large increases in energy production.

The Midland/Odessa area has been especially prolific. Job growth has outpaced the rest of the country by a wide margin, and the long-term outlook is positive. Some uncertainties still exist, such as fiscal and regulatory policies as well as instability in other areas of the world.

Mr. Edwards discussed energy production and consumption rates around the world, and how those rates are changing over time. Use of coal has diminished, while gas and renewables are increasing. Concerns over energy production growth in the U.S. include the Endangered Species Act which can cause environmental and regulatory hurdles to drilling, possible over-production of oil (driving down prices) and the need to increase CNG/LNG use.

9. Regional Rail Perspective

L.D. "Buddy" Sipes delivered a presentation on regional rail in the Permian Basin. He discussed a project underway to add new rail capacity along the South Orient corridor, to help move the tremendous amount of freight in the region.

There are 46 counties in the Permian Basin which are wholly or partially within the energy-productive area. The Permian Basin stretches 300 miles north/south and 275 miles east-west, including counties in Mexico. There is an opportunity to add new rail to serve the area, and also

serve as a conduit for grain and other agricultural products. The corridor would run from Mexico to the Midwest and serve a variety of purposes.

TxDOT has historically focused on roads, although the roads can no longer handle the amount of people and freight to move in the state. Most rail lines are at capacity as well. If Texas sees a significant increase in freight in the coming years as predicted, the current system will not be able to accommodate the loads. Recently, TxDOT has come around to the perspective that rail is important and needs to be improved. Everything that we can do to enhance rail crossings into Mexico should be explored, including adding an additional crossing at Presidio.

There are tens of thousands of wells in the Permian Basin, and the resource plays are often overlapping and stacked on top of one another. New horizontal wells have the potential to extract increasing large amounts of resources. The amount of investment in the area ensures that development in the Permian Basin will not be short-lived; it will continue for a long time and require improvements in transportation infrastructure.

10. Bulk Transfer of Materials

Brian Lucas delivered a presentation on bulk transfer of materials. Bulk Transfer has facilities in Monahan and Seagraves, and focuses on supply chain logistics. There are five main modes of freight transport: sea, air, rail, truck and pipeline. The most cost-efficient transfer is via bulk load, like pipeline or rail, and less efficient by truck. In supply chain logistics, the “last mile” can be the most expensive part of transportation. West Texas is served by two Class 1 railroads, UP and BNSF. Rail cars are distributed via short lines as well. Safe delivery of rail cars is priority No. 1, and rail is a very safe mode.

Emerging energy independence in the U.S. would not be possible without fracking. Each vertical well perforates between 8-15 zones and requires 8-10 million pounds (5,000 tons) of sand for each job. How does 5,000 tons of sand equate to rail cars? It takes 50 rail cars worth of sand, or 200 trucks, to frack one well. With 450 drill bits in the Permian Basin, we need a lot of rail cars and trucks.

Fracking companies generally use 2040 white sand, which often comes from Ottawa, Illinois. What does it cost to move sand from Ottawa to the Permian Basin? The cost to produce the sand is about \$40 per ton. To ship the sand on rail from Illinois to the Permian is about \$45 per ton. Then the sand must be transloaded and stored, at about \$9 per ton. The last mile – getting it to the well site – is about \$27 per ton. It costs about \$121 per ton total, and it is selling for \$125 per ton. The sand companies are not making a large profit. Most of the cost of sand is transportation.

Rail transportation saves about 40 percent of the cost of sand. It needs to get as close to its destination point as possible to save on last-mile costs. The cost of trucking in terms of equipment, repairs and maintenance, etc. encourages companies to move as much freight by rail as possible. There is a lot of traffic in the area and the more they can avoid, the better.

Bulk Transfer currently has over 65 trucking companies that come to load or unload on a daily basis. We ensure the load weights are being followed, no one is overweight, and see that drivers follow their hours of operation. Everybody involved in supply chain logistics strives for consistent, reliable, efficient and safe transportation. We want to minimize last-mile costs as much as possible. There has been a significant increase in rail spurs in the area, for the

purpose of transferring materials between rail and truck. In Monahans we are loading about 100,000 barrels of crude per month between rail and truck; that represents 150 rail cars to approximately 600 trucks. An increase in rail traffic also increases truck traffic; there is about a 4-to-1 conversion between rail cars and trucks.

Judge Emmett asked whether the sand comes by unit train.

Mr. Lucas said most sand does come by unit train, but not all.

Judge Emmett said knowing how wells can be moved around to different places, what is the maximum distance from a transload facility to a well site that Bulk Transfer feels comfortable with before deciding to build a new facility?

Mr. Lucas said it depended on the individual exploration and production companies. They often shift locations, and there are many issues that go into it such as sand sizes, etc. The trucking industry in the area generally uses a 100 mile radius; it is usually a flat fee for the first 100 miles, then they add extra charges after that.

Brenda Mainwaring said the main challenge with sand unit trains are that the end points are always shifting, unlike coal unit trains which have defined end points.

Mr. Lucas added other concerns, such as sometimes the sand company does not have the capacity to load a unit train, or be able to turn around that volume of product within a reasonable time frame. These issues factor into the total cost of the sand.

French Thompson asked whether Bulk Transfer was finding it difficult to locate areas to expand and build new transload facilities.

Mr. Lucas said there is available land in West Texas, the Eagle Ford shale, throughout the UP and BNSF operations, the San Antonio area, etc. In order to build new facilities it is necessary to figure out truck access/egress, short lines, what the highway system looks like and access to/from the highway.

French Thompson inquired in areas where the infrastructure is not in place, whether the local authorities offer to build the infrastructure or if they ask you to build it?

Mr. Lucas replied they ask Bulk Transfer to build the infrastructure. However, they are seeing more cooperation from TxDOT on access/egress, layout, design, etc.

Brenda Mainwaring said there is generally a large NIMBY pushback on transload facilities, but it is very helpful and in the public interest to build the infrastructure and keep trucks off the road. The partnerships are very helpful.

Mr. Thompson said there are people who want access to transload facilities, but there are a lot of barriers. Trucks need to be able to get in and out.

Mr. Lucas noted there are opportunities to build more transload facilities, but there are often limitations on the road network that prevent them from being built. It can be difficult to change those limitations.

11. Economic Development Viewpoint

Midland City Manager Courtney Sharp delivered a presentation entitled “Boom Times in Midland.” Since 2010, population has increased substantially, along with the need for more hotels, apartments, and single-family homes. The area’s transportation system is inadequate to handle the growth in passenger traffic and freight. Long-term improvement projects include finishing a southern loop highway, and completing an outer loop in the north as well. The city needs to finance approximately \$1.5 billion in improvements.

Pamela Welch of the Midland Development Corporation delivered a presentation entitled “Converting Rapid Growth into Permanent Progress.” Midland leads the nation in a number of categories including per capita income, annual growth and growth in salary. While this is wonderful for workers in the area, it can be difficult to attract new businesses with such high rates for labor. The economic growth has benefitted local government with increased tax revenues; the Midland Development Corporation is funded by a ¼ cent sales tax. A lot of the money has been spent recently on infrastructure. It is important for Midland to diversify its economic base beyond oil and gas, which will not last forever. There are many new developments in the area including the XCOR space port near the airport, investment in downtown Midland, and other major projects.

Judge Emmett noted the Midland area has changed considerably. The current Midland County Courthouse is in a former private company space not being used because the economy was so slow. Now Midland is a hotbed of economic activity.

Mr. Sharp agreed that Midland County bought the private space as it was not being used and converted it into the courthouse.

12. Open Discussion

Marc Williams stated that between now and the next meeting, the team will be busy putting together the additional Freight Plan chapters. He asked whether the team planned to share the chapters with the committee within the next few weeks.

Ms. Mays replied yes, the TxFAC will be helping TxDOT review the document. There will be a lot of emailing back and forth. Nothing the committee will see over the next few weeks will be new, but it will be a repackaging of information already presented. The team is trying to condense the document to about 200 pages. It will be sent to the committee piecemeal so it is easier to review. The team will be available for conference calls, etc. as needed. TxDOT wants to make sure the committee is comfortable with the document it will be endorsing.

Meeting adjourned at 3:00 p.m.