



INSTITUTE FOR TRADE AND TRANSPORTATION STUDIES

PROMOTING REGIONAL AWARENESS FOR IMPROVING FREIGHT TRANSPORTATION

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NEWS UPDATE

🌐 In addition to organizing the ITTS/MAFC/KYTC conference, I also participated in several other meetings in March and early April. I gave a speech on the importance of understanding the linkage of world markets to inland waterway traffic at the Inland River, Ports, and Terminals meeting in New Orleans. My speech discussed how we tend to ignore the international trade relationship, especially as related to changing commodity trends. This last fact was highlighted at the Critical Commodities Conference, which is always a great conference, with industry leaders talking about their view of future commodity flows.

🌐 With AASHTO, ITTS coordinated two webinars on the Water Resource Development Act for our members. One focused on deep draft navigation, and the other was on inland waterways.

🌐 Finally, I contributed two chapters, (one with Jason Monios, and a second with Libby Ogard, Ben Ritchey and Chad Miller) to the recently published book "Dry Ports – A Global Perspective: Challenges and Developments in Serving Hinterlands", (Ashgate). The book provides discussion on the challenges in linking coastal ports to inland markets across the world.

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2013 MAFC/ITTS/KYTC Joint Annual Freight Meeting

The fourth ITTS Freight in the Southeast Conference is completed. Almost 200 attendees participated in sessions ranging from the general economy to exporting from Kentucky. Kentucky, a member of both the Institute for Trade and Transportation Studies and the MidAmerica Freight Coalition (MAFC), hosted the meeting in conjunction with the Kentucky's biannual freight conference. The conference, held at the Brown Hotel, was a great success, and many enjoyed the MAFC and ITTS hosting their annual conferences together in one venue.

The conference started with a workshop on state freight plans by Jack Wells, chief economist with the U.S. DOT. Dr. Wells discussed freight planning and MAP-21 provisions, as well as thoughts on benefit/cost applications for TIGER Projects. That Monday night ended with a state peer dinner, giving a change for representatives from the various member states to meet before the conference started in earnest the next day.

The next morning, the tours included visiting Jeff Boat to witness a barge launching! The conference "officially" started on Tuesday afternoon, with a welcome from Sec. Mike Hancock of the Kentucky Transportation Cabinet. He outlined the importance of freight transportation to the Commonwealth as well as other issues, including the challenges associated with planning for future traffic and collaborating with neighboring states.

That afternoon, we discussed the importance of considering broad corridors, such as U.S.-Canadian trade and the Mississippi River. We also discussed how states should consider investments that support international trade traffic. The second afternoon session focused on logistics and understanding the importance of transportation development/employment, for they are clearly linked, especially in Kentucky.

The next day, two panels addressed MAP-21 and its implication for freight planning, followed by a session on freight planning. During lunch, Jim Bruce with UPS provided an overview of their sustainability efforts, which ranged from partnerships, new engines/alternative fuels, and improved operations. The afternoon found most participants struggling to decide between sessions on such disparate topics as agriculture, warehousing, exporting, trucking issues, freight corridors for energy movement, and designing for freight movements. After a break, several brave souls stayed up late to tour the UPS facility in Louisville, providing a first-hand view of how UPS moves millions of packages every night.

On Thursday morning, there were two sessions: one on the automotive industry, which discussed how automotive sales and supply chains are changing the industry and the second on the future of freight corridors, both from research and planning perspective. After those panels, ITTS and MAFC separated into their respective breakout sessions to conclude the conference.

After lunch, MAFC began a second conference on the use of dredged materials, as both a dredging strategy and an opportunity to utilize readily available materials for state transportation projects and in other beneficial work. This included discussing how to apply beneficial use in practice, including finding available materials and the future of using dredge materials for highway projects.

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The Institute for Trade and Transportation Studies provides research data and expert opinions to its members concerning the effects of commercial freight movements on domestic and international activities, with reference to infrastructure and transportation needs, and safety implications.

The ITTS members include the:

Arkansas State Highway and Transportation Department

Florida Department of Transportation

Georgia Department of Transportation

Kentucky Transportation Cabinet

Louisiana Department of Transportation and Development

Mississippi Department of Transportation

Virginia Department of Transportation

West Virginia Department of Transportation

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▶ LAMBERT'S LAGNIAPPE

la-gniappe |lan'yap| : something given as a bonus or extra gift.

It is spring and with it comes Girl Scout cookies. While we normally do not consider "cookie logistics," my family has been involved in previous Girl Scout sales, so I know how quickly one's home can easily become a mini warehouse!

But Girl Scout cookies, as with any product, must be delivered to that final customer. Often this means determining how to stage cargos for local deliveries, matching inventories, or forecasting demand. Normally, when we discuss freight movements, it is easy to focus on the larger supply chains and not necessarily local deliveries, which are also important. Major retailers are experimenting with new ways of delivering parcels to the final consumer, largely led by e-commerce strategies. The U.S. Census estimated that \$59.5 billion were spent on e-commerce sales during the fourth quarter of 2012, or roughly 5.2% of total retail sales. This represented a significant increase from the estimated 1.6% of total sales in 2003.

For example, Amazon, Wal-Mart, and even Google and eBay have started looking at how to integrate e-commerce purchas-

ing with local deliveries. Amazon, through its warehouse strategies, is staging cargo closer to consumers. Wal-Mart is attempting to integrate e-commerce purchases with local stores, including using local sorters to build the order for delivery. These trials are occurring in a few markets and will probably not be available to every consumer in the U.S. Even the United States Postal Service is working with local flower companies in San Francisco for same day deliveries. There are risks with attempting these strategies, but firms are looking at how to manage returns, maintain courier/product safety, and provide local storage options for consumer pickup.

While no one can deny that e-commerce is changing the retail delivery landscape (including Girl Scout cookies), there is still the need to physically deliver the product after the online click. Retailers have to consider the importance of that final delivery, including how, where, and by whom it will be done. In the future, that person knocking on your door may be bringing your Girl Scout cookies or a Girl Scout may be delivering your groceries! ■

What is ... Location Quotient

Location quotient (LQ) represents one way to compare the relative concentration of a particular industry across regions, normally employment. By focusing on a base region (such as the United States for state comparisons, or a state for county comparisons), the location quotient can provide a way to compare regions against the base. For example, if LQ equals 1, the sub region has the same employment ratio as the base region. Any location with LQ higher than 1 implies a concentration of a certain industry when compared to the base -- that a region is "specialized" in that industry. Any number less than 1 implies that the region is below the base for that industry. Location quotients are one way of determining regional employment clusters.

The LQ is based on the following equation:

$$(\text{Regional Industry Value} / \text{Regional Total Value}) / (\text{National Industry Value} / \text{National Total Value})$$

LQs are often used to identify the unique business profile of a region, generally indicating the relative strength of various industries that serve as the region's economic drivers. However, when calculated over time, an LQ may indicate if an industry is growing or declining relative to other sectors.

The following table was calculated on the BLS website (<http://www.bls.gov/data/#calculators>) which shows LQ for member states in manufacturing (NAICS 31-33) and warehousing and transportation (NAICS 48-49). A tutorial is available at http://www.bls.gov/tutorial/location_calc/.

According to the table, most of the states in the Southeast saw little change in the relative

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In sum, the conference speakers verified the following:

- A need exists for states to continue to work together on freight planning;
- Corridors and networks are becoming more important, especially as related to international trade flows;
- Freight planning will become more modally comprehensive, while including more analytical support in justifying freight decisions; and
- Supply chains are changing, and this fact is altering not only warehousing decisions, but also how firms engage in planning operational activities.

For more information, including the PowerPoint presentations, please visit <http://midamericafreight.org/events/2013am/>.

As always, there are rounds of thanks to the planning committee and others for their hard work in assisting in organizing the conference. Finally, ITTS and MAFC wish once again to thank our sponsors:

- CDM Smith (Gold)
- Cambridge Systematics (Silver)
- IHS (Platinum)
- Kentucky Association of Riverports (Silver)
- Olsson Associates (Silver)

Selected LQ for NAICS Codes for ITTS Member States

	Manufacturing (NAICS 31-33)		Transportation and warehousing (NAICS 48-49)	
	2005	2011	2005	2011
Arkansas	1.62	1.57	1.59	1.41
Florida	0.47	0.47	0.89	0.89
Georgia	1.04	1.03	1.26	1.33
Kentucky	1.37	1.38	1.45	1.51
Louisiana	0.76	0.86	1.23	1.20
Mississippi	1.52	1.49	1.10	1.21
Virginia	0.81	0.74	0.97	0.90
West Virginia	0.89	0.82	0.79	0.79
US	1.00	1.00	1.00	1.00

structures of their economies between 2005 and 2011. Arkansas, Kentucky, and Mississippi remain the region's leaders in manufacturing, while Arkansas, Georgia, Kentucky, Louisiana, and Mississippi lead in transportation and warehousing. On a gross level, these comparisons do not necessarily reflect specific gains in a region. Regarding manufacturing, both Virginia and West Virginia had declines, while Louisiana had an increase in manufacturing. Regarding transportation, Arkansas saw the sharpest decline, although still possessing one of the higher transportation LQ's in the region, while Mississippi saw the strongest gain.

However, such analysis could also be developed further to look at specific regional changes. For example, the Memphis Metropolitan Area has seen strong investment in transportation assets over the past few years. In 2005, Memphis had

an LQ for transportation and warehousing of 3.21, higher than the national average and the average for Mississippi, Tennessee, and Arkansas. By 2011, the LQ had increased to 3.35.

The LQ has its limitations, such as if a region has a small employment base, is dominated by one or two key industries, or if a particularly productive region might have less employment than comparative regions because of "productivity gains or innovation". LQ may also be subject to "headquarter effects," where a large firm in one industry may misrepresent the actual economic output in a certain industry group. The LQ formula also assumes that production-employment across the entire region is fairly similar. Finally, one can always argue that global investment and integrated supply chains may actually misrepresent how "local" any industry really is! ■

Trade Profile ... State Maritime Exports

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in anticipation of increased trade and changing shipping patterns.

In all cases, the National Export Initiative called for a doubling of exports by 2015. While the past few years witnessed significant export growth, there remain many challenges in meeting the President's challenge, not the least of which are trends in world markets. However, we should not ignore the need to improve infrastructure at the gateways and in how products move to export markets. ■

State of Origin	Exports			Maritime Exports		
	2010	2011	2012	2010	2011	2012
Arkansas	5,219	5,607	7,621	2,338	2,783	2,961
Florida	55,365	64,904	66,398	24,046	28,618	28,161
Georgia	28,950	34,776	35,892	13,661	16,897	17,753
Kentucky	19,343	20,084	22,092	5,166	5,495	6,302
Louisiana	41,356	54,976	63,156	37,889	50,933	58,859
Mississippi	8,229	10,930	11,779	5,579	7,788	8,100
Virginia	17,163	18,089	18,239	8,571	9,663	9,487
West Virginia	6,449	9,034	11,362	4,455	7,043	9,049
Regional Total	182,074	218,400	236,539	101,705	129,220	140,672
US Total	1,278,263	1,480,432	1,546,455	455,247	570,653	592,122

Figure 2

▶ ITTS CALENDAR

This list highlights upcoming conferences related to transportation that may be of interest to the ITTS member region. For any corrections or suggestions, please contact Bruce Lambert at bruce@ittsresearch.org.

🌐 ITTS speaking engagements

April 24-25, 2013

2013 Intermodal Transportation Conference hosted by World Trade Center Mississippi
Gulfport, MS

🌐 **April 30 - May 1, 2013**

TRB Adapting Freight Models and Traditional Freight Data Programs for Performance Measurement Workshop
Washington, D.C.

May 3, 2013

AASHTO SCITEE
AASHTO Spring Meeting
Providence, RI

May 13, 2013

Marine Highway M-70
Huntington, WV

May 16-17, 2013

Florida Logistics and Trade Conference
Doral, Florida

May 14-16, 2013

Arkansas Planning Meeting
Little Rock, Arkansas

June 10-12, 2013

Meeting State and MPO Information Needs in a Constrained Fiscal Environment: Joint Midyear Meeting for TRB and AASHTO Committees
Washington, D.C.

June 18-20, 2013

Engaging, Competing, and Succeeding in the Global Economy of the Twenty-First Century A Global Appalachia Workshop
Mobile, Alabama

State Notes

- Florida DOT is in the process of developing a Freight Mobility and Trade Plan and has already developed local information for public outreach efforts that can be found at <http://www.freightmovesflorida.com>. FDOT, with the Miami Chamber of Commerce, will host the 2013 Florida Logistics and Trade Conference on May 16-17 in Doral, Florida.
- The Arkansas State Highway and Transportation Department and the Federal Highway Administration - Arkansas Division are hosting an NHI course on "Engaging the Private Sector in Freight Planning." The Department is also developing a State Rail Plan and conducting two passenger rail studies (between Little Rock and Memphis and between Little Rock and the Arkansas/Texas state line at Texarkana).
- Finally, West Virginia Public Port Authority has begun construction of the Prichard intermodal terminal and is also launching a national marketing effort to promote West Virginia as a viable business location by emphasizing the state's transportation infrastructure. There is also an M-70 meeting on the potential to move "trailerizable" cargo on the Ohio River scheduled for May 13 in Huntington. M-70 is one of the Designated Marine Highway corridors.

▶ TRADE PROFILE ... State Maritime Exports

In the context of discussing the Water Resource Development Act, the importance of maritime trade to the member states should be considered. One of the economic drivers of the U.S. over the past few years has been the strong growth in exports, buoyed to a great extent by increased demand overseas and a weak dollar.

Using 2010 as a baseline, since that was the first year of the president's National Export Initiative, U.S. trade increased from \$1.3 trillion that year to \$1.5 trillion in 2012. Exports as a share of GDP accounted for roughly 8.9% of the US GDP in 2010 but rose to 9.9% in 2011 (2012 U.S. GDP figures are not available). For the Southeast, exports contributed to regional growth, as reported shipment of origin trade as a share of GDP increased for all member states between 2010 and 2011. (Figure 1.)

For exports that originated from ITTS member states, total exports increased from \$182 billion to \$236 billion between 2010 and 2012. Exports as a share of regional GDP increased from 8.2% to 9.6%. (Figure 2.)

However, as WRDA reauthorizes water activities, includ-

ing dredging and channel maintenance, the importance of waterways to support export activity should be examined. From 2010 to 2012, total U.S. maritime exports increased from \$455 billion to \$592 billion, which accounted for 38% of U.S. exports.

However, for the ITTS member states, ports are much more important to export growth. Total exports originating from ITTS member states accounted to \$140 billion in 2012, a 30% increase from 2010.

While the export initiative remains a viable political objective, there are infrastructure issues that must be addressed, including funding for ports and waterways. The American Society of Civil Engineers 2013 Report Card for American Infrastructure rated the nation's port infrastructure as a "C".

This relatively higher grade, when compared to other infrastructure grades, does not suggest that port investment is not needed. The AAPA "U.S. Port Infrastructure Investment Survey" reported \$26 billion dollars of planned investments in ports in the Southeast and Gulf states between 2012 and 2016, largely

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State	Exports as Share of GDP (2011)	Maritime Exports as Share of GDP (2011)
Arkansas	5.3%	2.6%
Florida	8.6%	3.8%
Georgia	8.3%	4.0%
Kentucky	12.2%	3.3%
Louisiana	22.2%	20.6%
Mississippi	11.2%	8.0%
Virginia	4.2%	2.3%
West Virginia	13.5%	10.5%
Regional Total	9.6%	5.7%

Figure 1