Challenges Facing Transforming Inland Ports into Integrated Transportation Centers

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Some Questions per Smart Rivers?

- Are we using our river port resources in the most efficient manner possible to encourage freight mobility and economic growth?
- Can we connect to other modes?
- Can we support future cargo or vessels?
Outline

• Trends in Economic Development
• Waterways and Ports
• WV, KY, Tenn-Tom
• Common Elements Going Forward
Site Selection November 2008 Survey

- Ease of permitting and regulatory procedures
- Transportation infrastructure
- Existing work-force skills
- State and local tax scheme
- Utility infrastructure
- Land/building prices and supply
- Workers' comp rates
- Flexibility of incentives programs
- Higher education resources
- Availability of incentives

http://www.siteselection.com/issues/2008/nov/Cover/
Senior executives are concerned that the current infrastructure inadequately supports their businesses. Indeed, only 14 percent believe that infrastructure is “completely adequate” in this regard.

The quality and availability of infrastructure directly affect where businesses locate and expand their operations, according to 90 percent of senior executives surveyed.

Infrastructure will become more important over the next five years and 77 percent of business executives surveyed fear there will not be enough infrastructure investment to support the long-term growth of their organizations.

Eighty percent of executives want governments to partner with the private sector to finance major infrastructure projects.

Trends in Economic Development

- Business Park Concept
- Greenfield-Brownfield development
- Clusters versus Growth Poles
- Site Selection Criteria
- Operational considerations
- Integrated Logistic Supply Chain Centers
- Firms locating big facilities with access to transportation infrastructure, not people
- Potential access to alternative energy is discussed (wind, water, solar)
The Shipper

• Demands low-cost, reliable service
• Mode and geographically neutrality
• Wants “just in time” services – does not want or care about your “problems” (carrier or infrastructure)
• Firms outsourcing the “Headaches” of logistics
• No one believes congestion will go away
• Often ignore primarily “freight” infrastructure beyond immediate facility
Unique Characteristics of Inland Ports

• Most are landlord ports – differentiate from private terminals
• Most are operated by State, County or Local Governments
• Economic Development “Catalysts”
• Civic Pride and Competition
• Very capital intensive, but may not be profitable
• Port Authorization extends beyond river’s edge
So What Is The Range of an Inland Port?

- Various by many different factors:
  - International or domestic cargos
  - System reliability
  - Scale and intermodal connectivity
  - Industrial versus non-industrial use
  - Single user or multiuse facilities

- Range – 0 to 10,000 miles!
Develop the potential of intermodalism by combining highway, rail, and water transportation infrastructure to maximize overall economic advantages to business, industry, and the citizens of West Virginia.

Developing a Regional Port
Jackson County Maritime and Industrial Center
Kanawha Valley Local Port Authority District
Buffalo-Putnam Port District
Cabell-Wayne Port District, Inc.
Port of Huntington Tri-State
Weirton Port & Industrial Center
Kentucky Public Ports

PUBLIC RIVERPORTS IN KENTUCKY

Legend

RIVERPORT STATUS
- Active
- Developing

ROAD CLASSIFICATIONS
- Interstates
- Parkways
- Highways

Kentucky Public Ports

smart rivers ’21

Kentucky
UNBRIDLED SPIRIT

KENTUCKY TRANSPORTATION CABINET
Tenn-Tom Waterways Economic Benefit

**Economic Impact 1996-2008 (in Millions)**

<table>
<thead>
<tr>
<th>State</th>
<th>Direct</th>
<th>Indirect</th>
<th>Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>$15,217.1</td>
<td>$550.3</td>
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<tr>
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<tr>
<td>Regional</td>
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<td>$2,093.3</td>
<td>$2,641.1</td>
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<tr>
<td>United States</td>
<td>$25,320.5</td>
<td>$5,822.6</td>
<td>$11,380.6</td>
<td>$42,523.7</td>
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</table>

This table shows the impact from private investment and ports operating in the Tenn-Tom Waterway region.

**Employment Impact 1996-2008**

<table>
<thead>
<tr>
<th>State</th>
<th>Direct</th>
<th>Indirect</th>
<th>Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>8,384</td>
<td>3,879</td>
<td>7,567</td>
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<td>271</td>
<td>493</td>
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<tr>
<td>Regional</td>
<td>29,191</td>
<td>13,292</td>
<td>27,806</td>
<td>70,289</td>
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<tr>
<td>United States</td>
<td>29,191</td>
<td>29,001</td>
<td>79,471</td>
<td>137,663</td>
</tr>
</tbody>
</table>

This table indicates the number of jobs that were directly and indirectly created based on industry-to-industry transactions, as well as the number of jobs that were created based on employee spending in the local economy.
Common Elements Going Forward

- Information and Education
- Institutional
- Operational
- Financial
Information and Education – Do They Know Me?

• Public Sector –
  – Do Ports provide economic benefits?
  – Are inland ports for navigation only or commercial development?
  – Are these benefits well understood, and if so, by whom?
    • “Invisible part” of system
    • Tie to economic growth not understood

• Private Sector
  – Understand my services, facilities, etc.?
Institutional – Do People Really Care?

• Public Sector
  – Can we move beyond being only a checklist on a scorecard?
  – Can we transform decision makers into agents for change – internalize the debate?
  – Perception of Corporate Welfare
  – Nontraditional participants will be more engaged in debate
    • Kentucky Waterways of the Interim Committee on Transportation

• Private Sector – Want to see partners not conflicts
Operational – What Does It Take To Get Moving?

- Ports are Corridors
- Maintenance not properly developed or conducted
- Reliability and other factors often outside of port’s direct control
- People do not understand inland component of port activity
- Timelines are very different
Financial – Is the Money There?

- As public entities, hard to secure funding
  - State and local funding is uneven or even prohibited
  - Can not say what I get back for investment (wetlands, etc.)
  - Scale of investment hard to rationalize
  - Tax receipts versus tax burdens
- Concerns over relationship with private terminals
- Port traffic subject to external fluctuations – no guarantees exist!
- Funding needs differ also – market variability
- Public Private Partnerships
What Happens After A Project Is Developed?

- Improved Operations (no change in fleet or routing, but per movement costs decline and/or reliability improves),
- Change in Routings (realignment of services with existing equipment already in trade),
- Change in the Capacity and Economies of Scale (larger equipment),
- Induced Service or Calls (new equipment enter service),
- Decline in use.

Only improved operations are easy to quantify before the project is built, but the changing in capacity is expected to generate other benefits normally not quantified in base feasibility study.
Where Are We Today?

• Previous capital expenditures lead to economic growth
  – Mature, Reliable, Robust industry
  – Congestion and Maintenance threatening system operations
  – Lock and Dam Replacement is critical
  – Business want to utilize water as an alternative

• Ports as more than points on a river
  – Facilities on water provide other opportunities not moving on waterways
  – Ports engage in getting people on water – geographically locate first then select port
  – “Recouple” transportation to Economic Growth
  – Economic development = people development