Considering the Importance of Goods Movement to West Virginia

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IS THIS HOW MOST PEOPLE SEE TRUCKS AND TRAINS?
WHAT IS DOMESTIC GOODS MOVEMENT?
Outline

• Why Freight and Why Now?
• Freight Movements in West Virginia
• Trends in Economic Development
• summary
Why Consider Freight
Freight Matters

Private Sector

Consumers

Public Sector
A Shipper Perspective on Infrastructure/Logistics

• Demands low-cost, reliable service
• Mode and geographically neutrality
• Wants “just in time services”
• Firms outsourcing the “Headaches” of logistics
• No one believes congestion will go away
• Often ignore primarily “freight” infrastructure
• Transportation costs have direct bottom-line implications
Buyer Expectations Changing

Wow!! The Little Orphan Annie Decoder Ring Finally Arrived!!

Wow!! What a bargain, and I will get it tomorrow!
Products Change – Music Industry

- Choice
- Portability
- Cost of Production
- Ease of Use
- Quality
Retailers Changing Their Domestic Supply Chains

- Locate Closer to Customer
- More Integrated Supply Chains
- Manage Variability
- Transloading
- Reduce unreliability
MAP-21 Freight Provisions

- National Freight Policy
- Establishment of a National Freight Network
- Critical Rural Freight Corridors
- National Freight Strategic Plan
- Cost Sharing Formulas
- Freight Transportation Conditions and Performance
## Transformative Issues

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<th>Operations</th>
<th>Policy</th>
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<td>- Security risks and asymmetric disruptions</td>
<td>- Security risks</td>
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<td>- Near Sourcing</td>
<td>- Policy changes</td>
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<td>- Price of fuel – Energy</td>
<td>- Free Trade Agreements</td>
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<td>- 3D Printing</td>
<td>- US debt</td>
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<td>- Mega Regions and congestion</td>
<td>- Transportation investment</td>
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The West Virginia Economy Depends Upon Freight
State Economic Output in Transportation Sectors, 1997-2010

- Warehousing and storage
- Other transportation and support activities
- Pipeline transportation
- Transit and ground passenger transportation
- Truck transportation
- Water transportation
- Rail transportation
- Air transportation
Total Freight Transportation in West Virginia - 2011

444,165 Thousand of Tons

188,947 Current Millions$

Source: Freight Analysis Framework, FHWA
West Virginia Shipments of Origin, top Destinations 2012
(All modes - $11.4 Billion)

- Canada (16%)
- China (8%)
- Netherlands (8%)
- Japan (7%)
- India (6%)
- Italy (6%)
- Brazil (6%)
- Korea, Republic Of (5%)
- United Kingdom (5%)
- France (4%)
- Other (28%)
West Virginia Shipments of Origin, Top Five Destinations, 2002-2012 (All modes - $11.4 Billion)

- Canada (16%)
- China (8%)
- Netherlands (8%)
- Japan (7%)
- India (6%)
West Virginia Exports as Share of Total State GDP 1997 - 2012
Industry Share of the West Virginia Economy, 2011

- Agriculture, forestry, fishing, and hunting: 0%
- Mining: 14%
- Utilities: 3%
- Construction: 4%
- Manufacturing: 9%
- Wholesale trade: 4%
- Retail trade: 7%
- Transportation and warehousing: 3%
- Government: 18%
- Services: 38%
Foreign Direct Investment - Thousand Jobs (2010)

- Transportation needs vary
- Like to locate near “neighbors”
- Tend to use more import sourcing
Comparison of Freight Dependency: US, Southeast, West Virginia (2011)
You Too Can Have it all..
Joe Hollingsworth, Jr.

1. The South becomes even more competitive in the world economy
2. South shifts from manufacturing to service sector which improves manufacturing
3. Migration continues as the South becomes “land of opportunity”
4. South develops knowledge based economy
5. South leads way in education reform
6. Contiguous counties around major metropolitan areas will be the action
7. South becomes practically the only location for automotive plants
Freight Access and Mobility May Create Transformative Opportunities
Firms See Transportation as Critical

Site Selection Magazine

KPMG

• 90% stated - transportation directly influences their business.

• 77% stated - infrastructure:
  • Becomes more important over the next five years
  • But system will remain inadequate without new investment

Transport, Talent and Taxation Top Factor List
Site Selection’s October survey of corporate real estate executives reveals which factors on average are most important to them when they are involved in location decision making.

1. Transportation infrastructure
2. Existing work force skills
3. State and local tax scheme
4. Utility infrastructure
5. Land/building prices and supply
6. Ease of permitting and regulatory procedures
7. Flexibility of incentives programs
8. Access to higher education resources
9. Availability of incentives
10. State economic development strategy
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)
Key Asset for Transportation Cluster Development

- Similar resources
  - Natural (raw materials)
  - Built (e.g., intermodal facilities)
- Specially trained workforce
- Quality organizational governance
- Competition
- Collaboration (share ideas and learn from each other)
  - Localized because of the informal nature of knowledge flow
  - Short feedback loops
  - Recent research finds that global connections are important (cf. Fitjar and Rodríguez-Pose 2011)

Source: Chad Miller, Un. Of Southern Miss.
What Will We Build/Operate?

- What is your market?
  - Expand or Cannibalize
  - Corridor – End or Middle
- What type of facility/services are needed?
  - What “Freight” is “Freight”
- Develop densities and services
  - Service Requirements
  - Drayage and equipment issues
  - Domestic and international
  - Shippers bear what costs?
Forecast of Transportation for West Virginia 2011-2040 By Value (current millions $)

Source: Freight Analysis Framework, FHWA
And What?

- What will the rural economy be in 10 years?
- What is future of natural resources?
- Can we develop/expand advanced manufacturing?
- What about attracting Foreign Direct Investment?
- Where will people live in 20 years?
- How infrastructure needs are required to make OUR region competitive?
- What must I do today for be competitive tomorrow?
Summary… What to do next
The Implications of Freight Movement

**Good**
- Access to markets
- Workforce development
- Economic growth

**Bad**
- Congestion
- Emissions
- Safety
- Free Rider problem
- Who really bears costs of transportation
- It’s not easy
Three Questions…

• What is Your Greatest Advantage
  • Has worked, does work, and will continue to do so

• What are Significant obstacles
  • Institutional
  • Brand awareness
  • Workforce

• What Can You Do
  • Get firms to West Virginia before picking winners/losers
  • Educate others on benefits on transportation- create champions