

Thoughts on the Importance of Freight to The State of Alabama



**INSTITUTE FOR TRADE AND
TRANSPORTATION STUDIES**

Outline



- LATTs and ITTS
- Freight in Alabama - Globalization
- Corridors, Congestion and Bottlenecks
- Implications for Transportation in Alabama
- Conclusion and Challenges

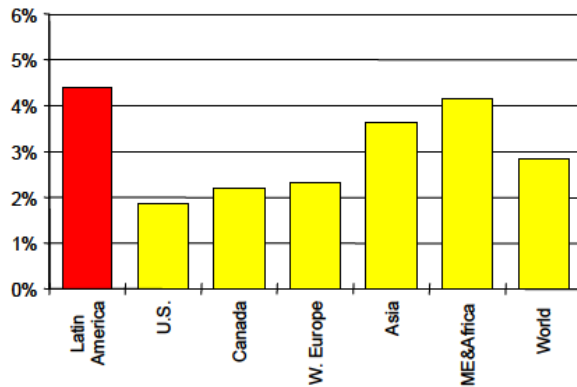


LATTS and ITTS

Latin American and the Creation of ITTS

What Drove the States to Conduct the LATTS Study?

Exhibit A-3
REAL GDP GROWTH IN EMERGING AND DEVELOPED COUNTRIES
1997-2020

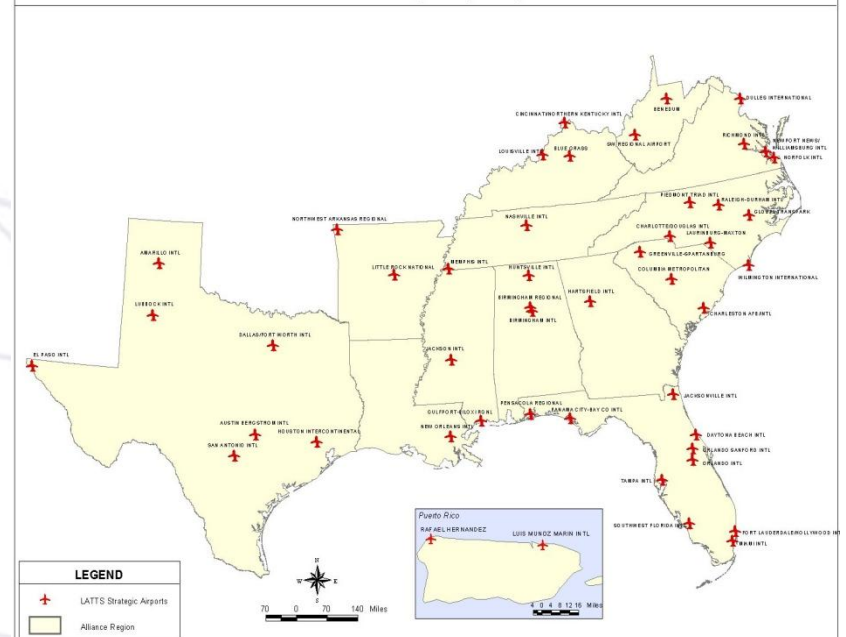


- Latin American Seen as Growing Market
- Did not feel region had considered rapid trade growth on region's infrastructure
- Saw this as regional market for economic development

LATTS Strategic Highway System



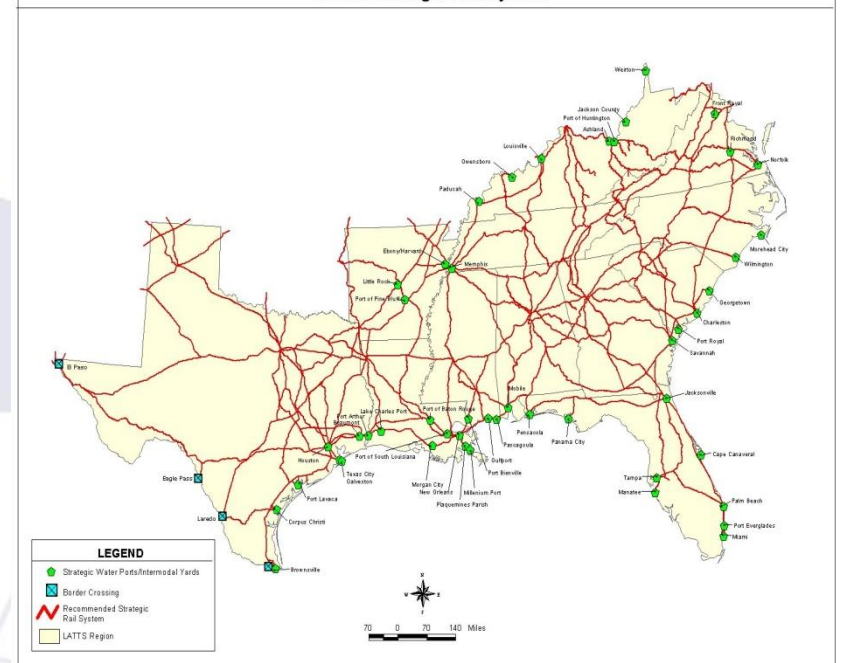
LATTS Strategic Airport System



LATTS Strategic System: Water Ports



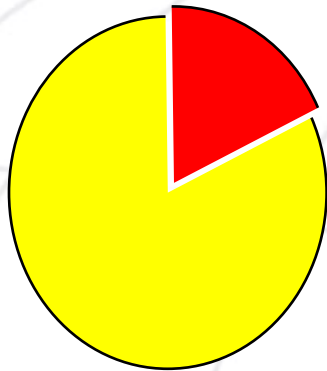
LATTS Strategic Rail System



20 Year Needs Estimates

LATTS Strategic System

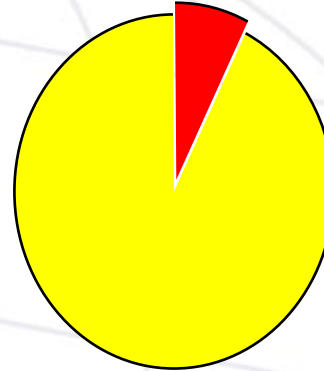
TOTAL 20-YR NEEDS ESTIMATE



\$92 Billion

■ Latin America
■ Other

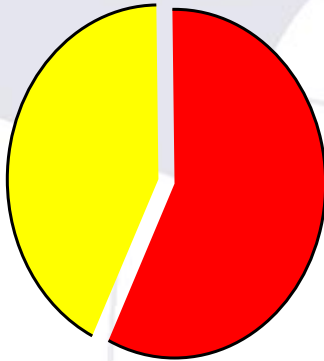
20-YR HIGHWAY NEEDS ESTIMATE



\$67 Billion

■ Latin America
■ Other

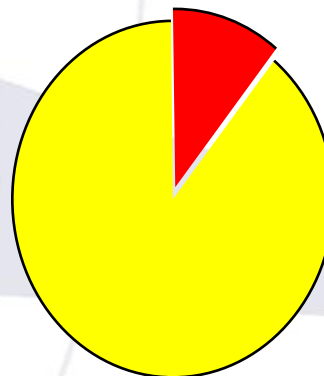
20-YR PORT NEEDS ESTIMATE



\$22 Billion

■ Latin America
■ Other

20-YR AIR CARGO NEEDS ESTIMATE



\$3.3 Billion

■ Latin America
■ Other

What Is ITTS?

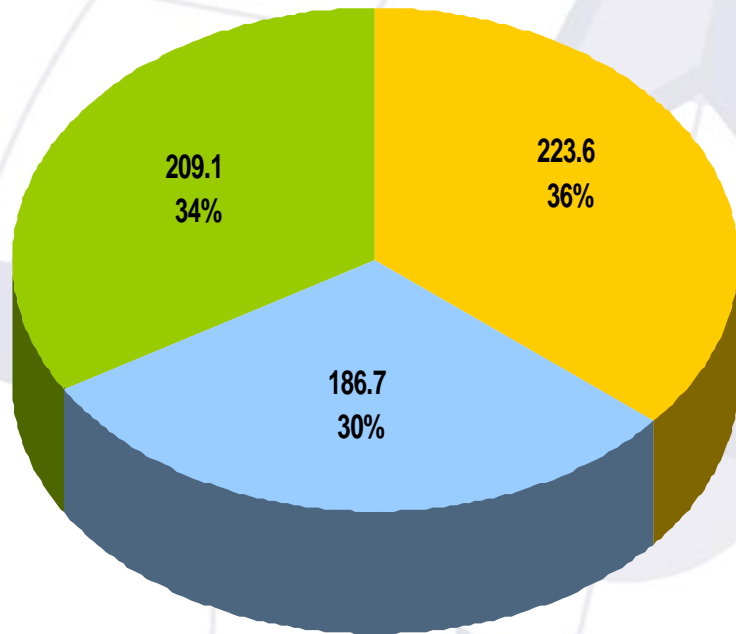
- Evolved from LATTS Studies
- 13 State Departments of Transportation
 - Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, West Virginia, Virginia
- “Forward Thinking” on freight planning and policy needs



Freight in Alabama and Globalization

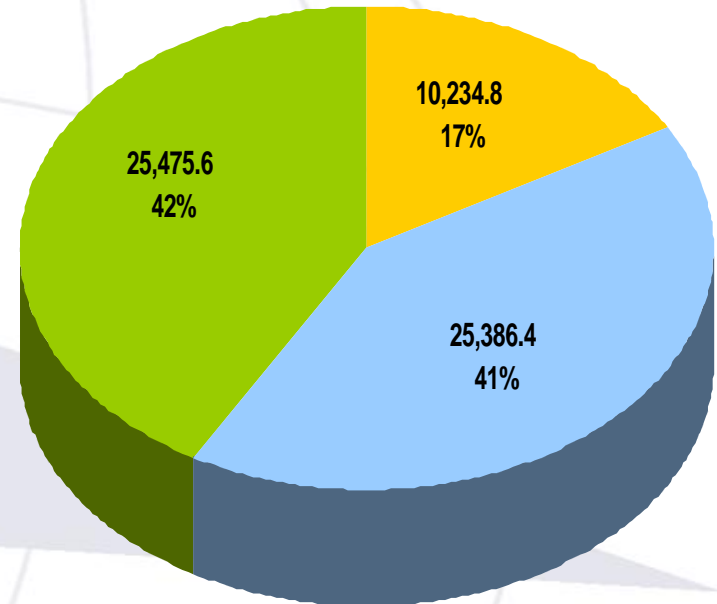
Total Freight Transportation in AL in Millions of Tons

Tons (millions)



■ Within State ■ From State ■ Into State

Value (millions)



■ Within State ■ From State ■ Into State

How is Alabama in the Global Economy?

- Imports
- Foreign Direct Investment
- Exporters
- Gateways



Alabama Foreign Direct Investment

- 2006

- 49,700 workers in Alabama.
- Top Five Sources –
 - Germany, the United Kingdom,
 - France, the Netherlands, and Canada.
- 14,700 workers in the manufacturing sector.
- 3.2 percent of the state's total private-industry employment.
- FDI results normally leads to increased imports for company transfers

What is the Demographic of Alabama Exporters (2006)?

88,600 jobs tied to manufacturing exports

18,300 tied directly to manufacturing

70,300 worked in supporting industries

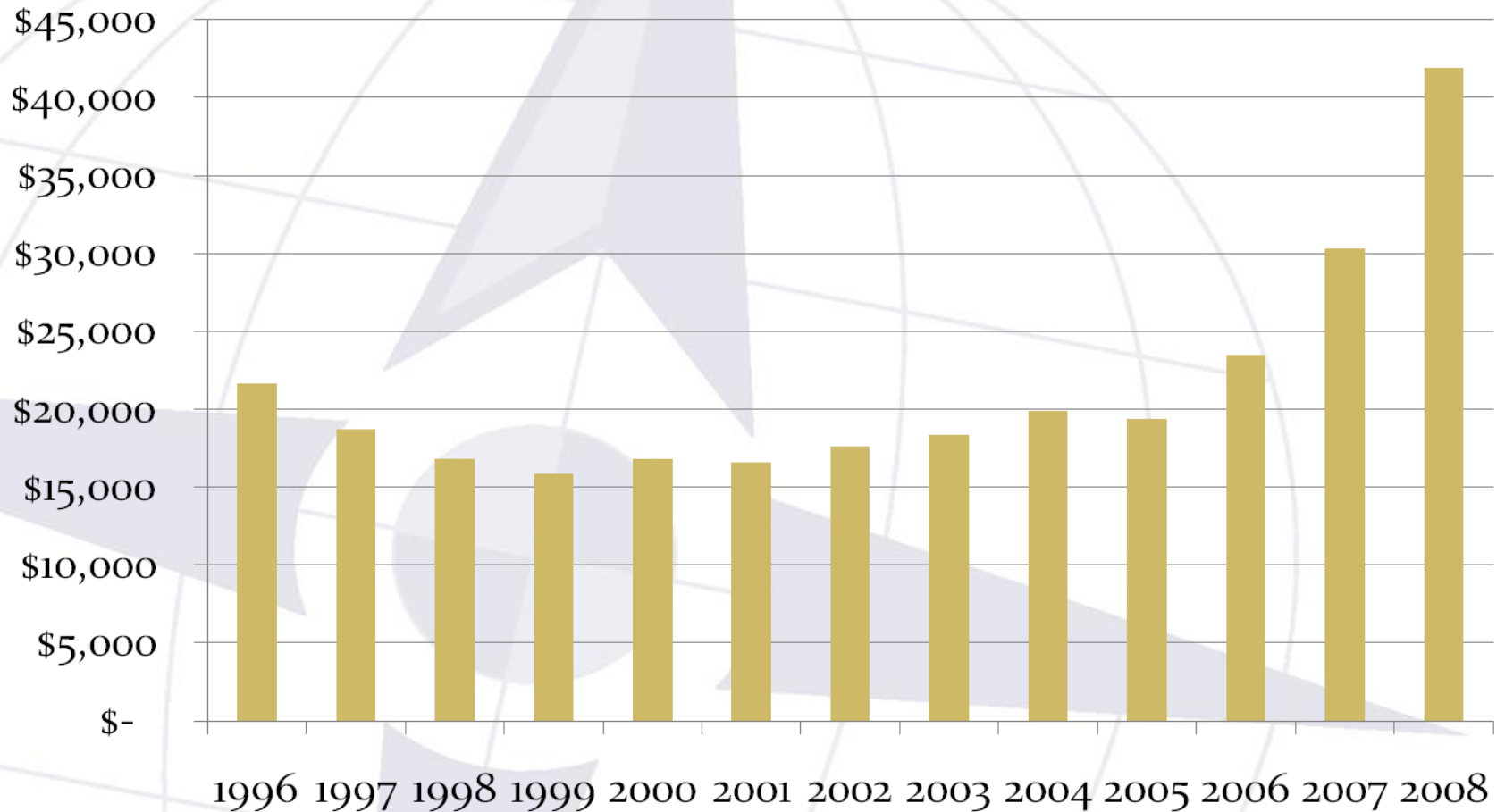
2,371 Total Exporters of Record

1,998 Exporters were SME's

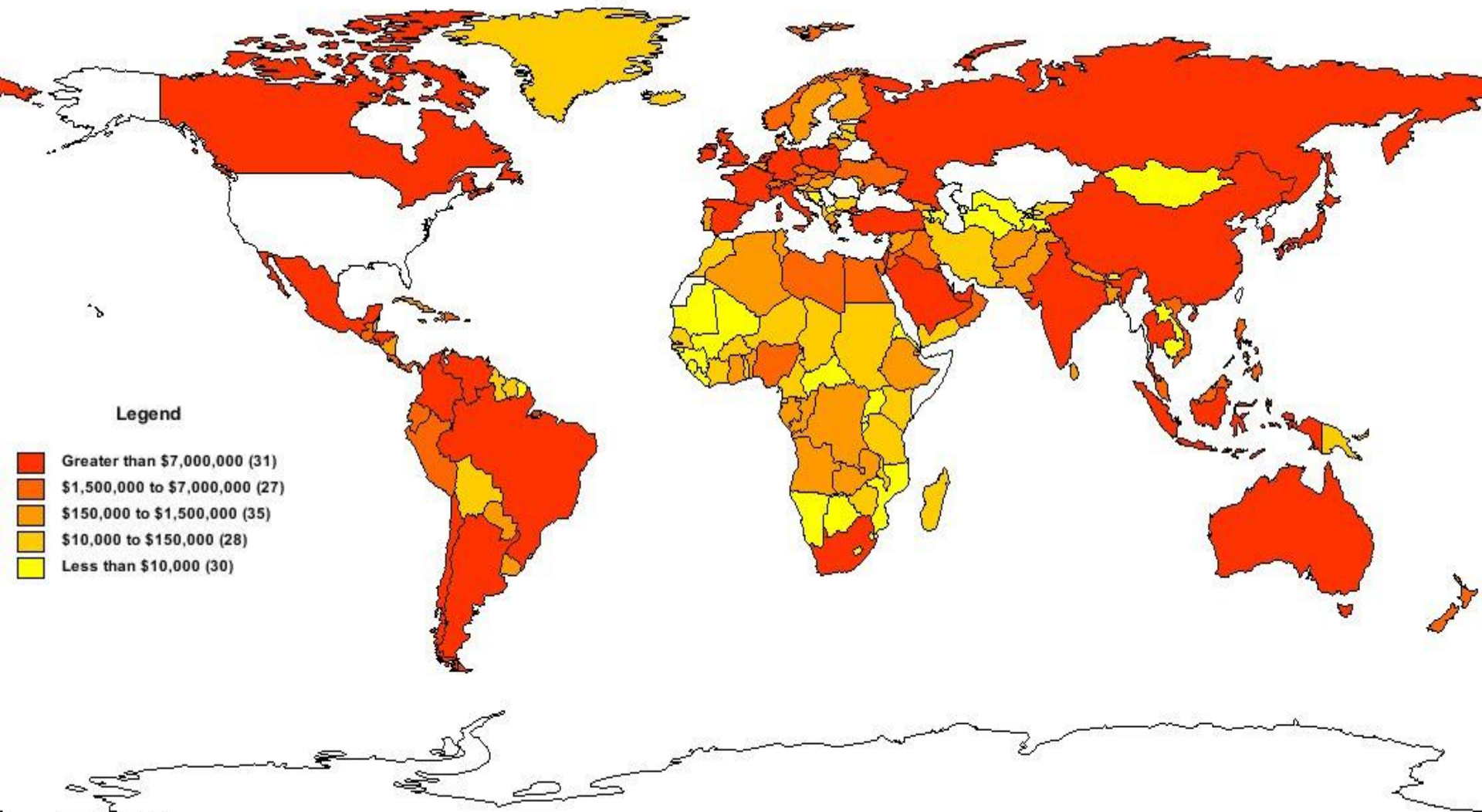
% of value

% of shipments

Trends in the Alabama Exporter Activities, 1996-2008 (millions)

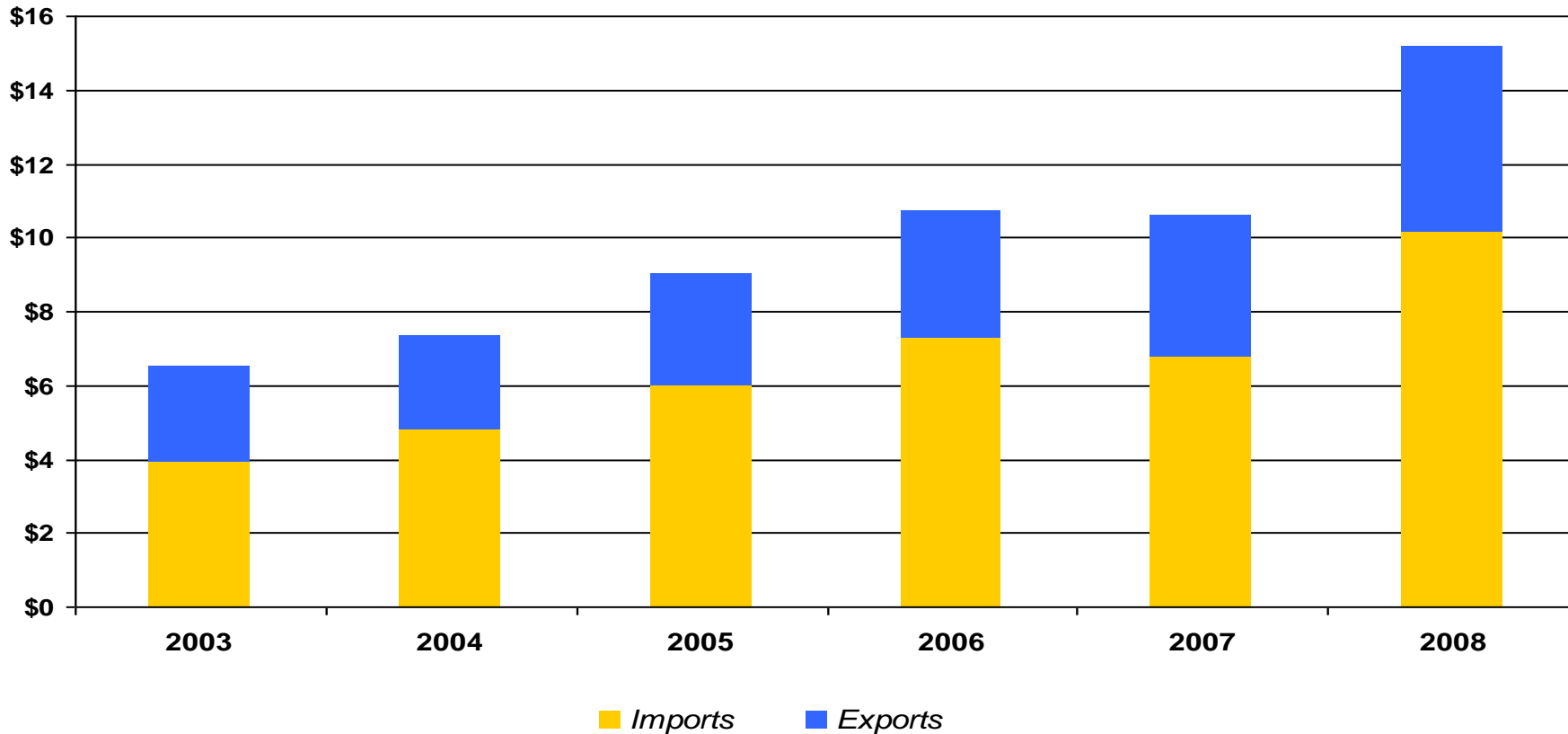


Alabama State Exporter Destinations, (Value) (source: Wisertrade)



Alabama Gateway (Ports and Airports) Total Trade 2003 - 2008 by Total Dollar Value

(In Billions)



Source: WISERTrade: U.S. Port Exports / Imports by HS Database

Some Thoughts?



- International markets not necessarily planned in traditional statewide plans
- Changing dynamics with connectors and other facilities
- Link of Transportation to International Trade not clearly understood



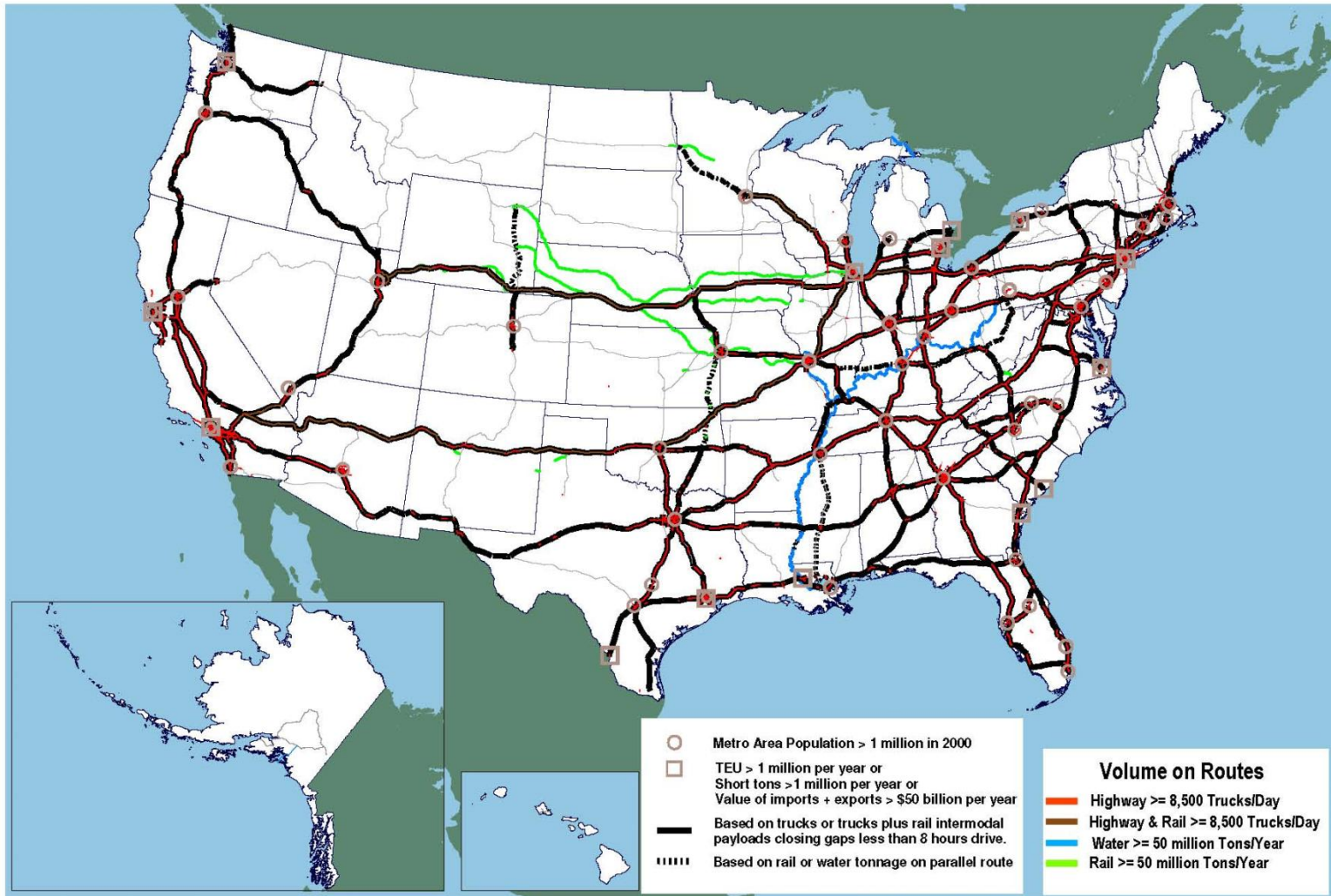
Corridors, Congestion and Bottlenecks

Logistics Today

The background features a faint, light-colored globe with latitude and longitude lines. Overlaid on the globe is a large, semi-transparent compass rose with four main points. Additionally, there are several abstract, light-colored geometric shapes, including triangles and a curved shape, scattered across the scene.

- Geographically Dispersed
- Longer Transits and Intermodal
- Seen as important customer and costs management function
- More Technology Dependent
- Paradox - Robust and Fragile
- Congestion and Traffic Management
- Security and Transparency

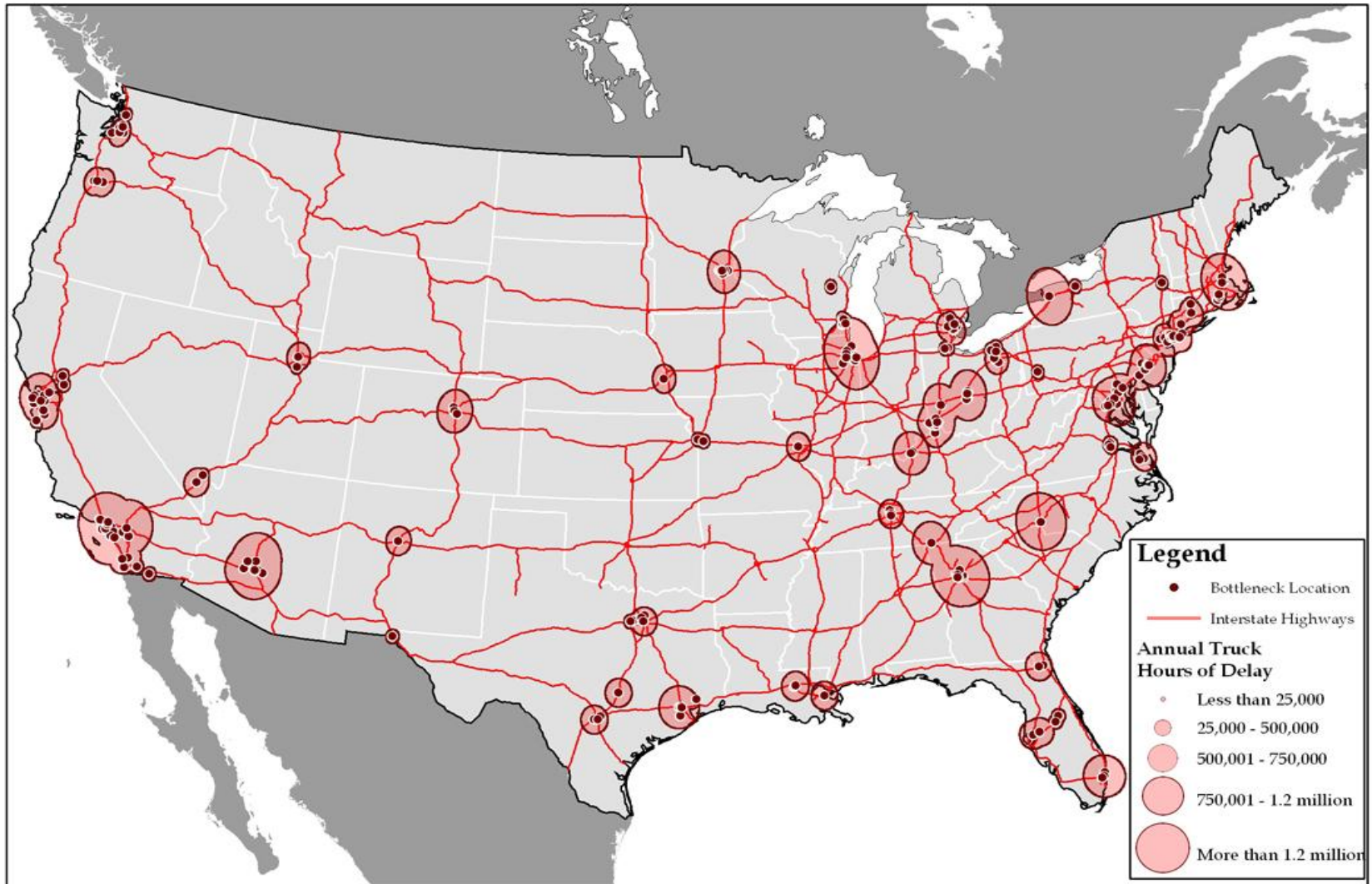
Major Freight Corridors



Note: Highway & Rail is additional highway mileage with daily truck payload equivalents based on annual average daily truck traffic plus average daily intermodal service on parallel railroads. Average daily intermodal service is the annual tonnage moved by container-on-flatcar and trailer-on-flatcar service divided by 365 days per year and 16 tons per average truck payload.

Source: U.S. Department of Transportation, Federal Highway Administration, Office of Freight Management and Operations, 2008.

Major Freight Truck Bottlenecks



KPMG: “Bridging the Global Infrastructure Gap: Views From the Executive Suite.”

- Senior executives surveyed worldwide
- 14% - infrastructure is “completely adequate”
- 90% - quality and availability of infrastructure directly affects their business.
- 77% - infrastructure needs
 - become more important over the next five years
 - system remains inadequate

Corridors and Bottlenecks

- Dense multimodal system in the Southeast
- Bottlenecks exist throughout U.S.
- Southeastern Bottlenecks roadway bottlenecks are due to geography and traffic
- Latent capacity in other modes, but bottlenecks exist there also
- Better off (comparatively speaking) to other regional networks



Trends Shaping the Southeast Freight Mobility

The Southern Advantage (2003)

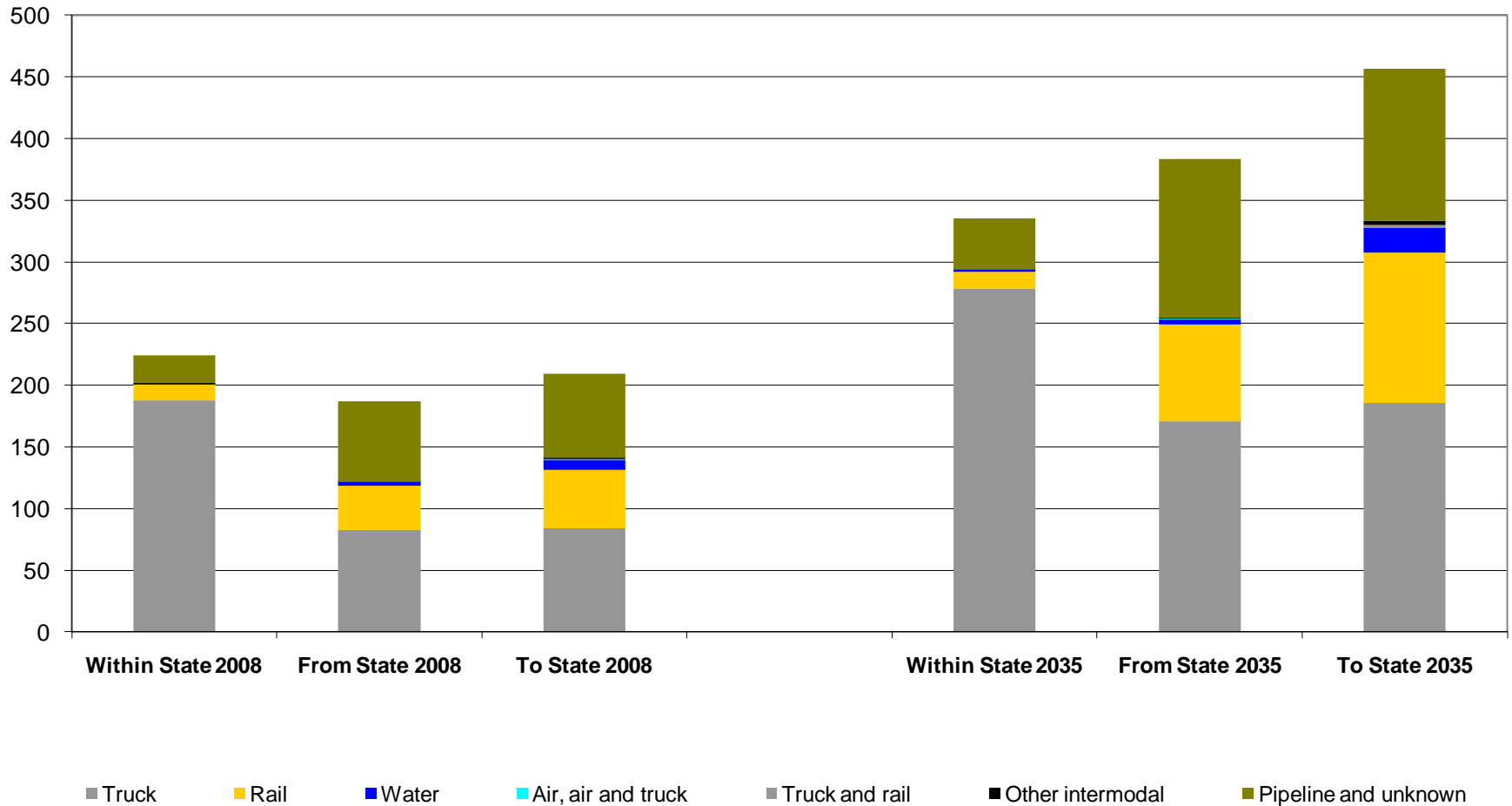
Joe Hollingsworth, Jr.

- The South becomes even more competitive in the world economy
- South shifts from manufacturing to service sector which improves manufacturing
- Migration continues as the South becomes “land of opportunity”
- South develops knowledge based economy
- South leads way in education reform
- Contiguous counties around major metropolitan areas will be the action in the south
- South becomes practically the only location for automotive plants

Alabama - Transportation Forecast by Mode (2008 - 2035)

Shipments by Weight (Tons)

(In Millions)



Source: FWHA Freight Analysis Framework

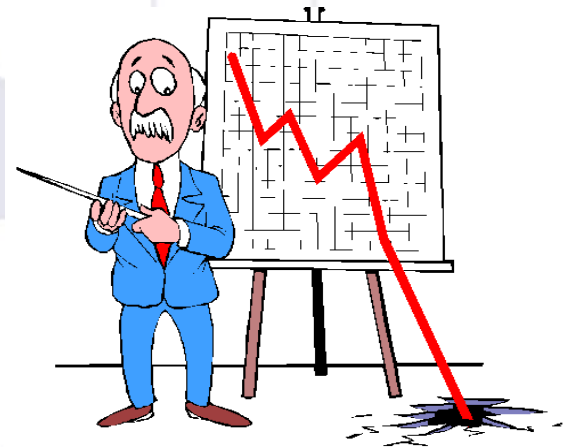
The Future is Uncertain Globally...

- U.S. (global) economic recovery
- Changing Import Sourcing
- Foreign Direct Investment trends
- Free Trade negotiations
- Cuba
- Panama Canal expansion
- Promoting US exports
- Security and transparency



...And Domestically

- Biofuels and Rural development issues
- Auto industry in Southeast
- Overweight corridors (windmills)
- Promoting Small Businesses in Region
- Intermodal Terminals and logistics centers
- Growth of Megaregions



Can the State be Competitive Globally?

- More than education, traditional economic development, but
- Promote Businesses to engage in trade
 - Support businesses in global trade
 - Each \$1 billion in new exports generates roughly 19,000 jobs
- Ensure Connectivity
 - Ports, gateways, multimodal systems
 - FHWA estimates that \$1 billion in highway investment supports 10,870 jobs



Implications for Transportation in Alabama

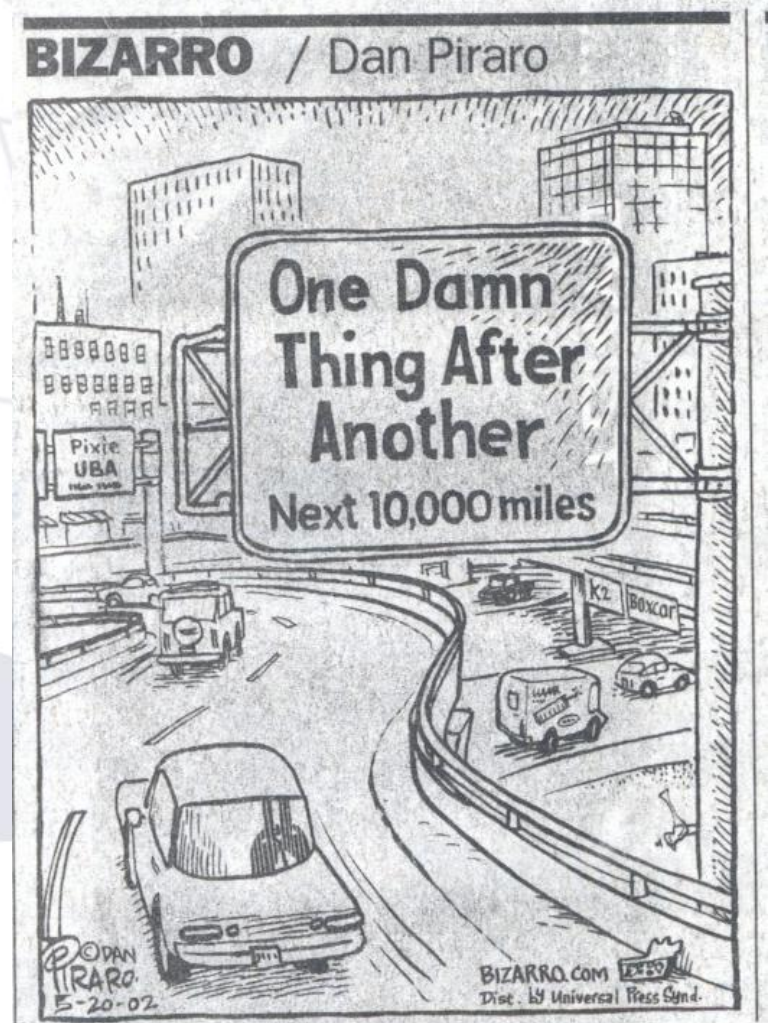
What does this mean for me?

What kind of transportation system do we want? Now? Or In 30 years?

Safe, Secure, Environmental
Responsible,
Efficient/Reliable

Customers
(Shippers/Carriers/Public)
also want

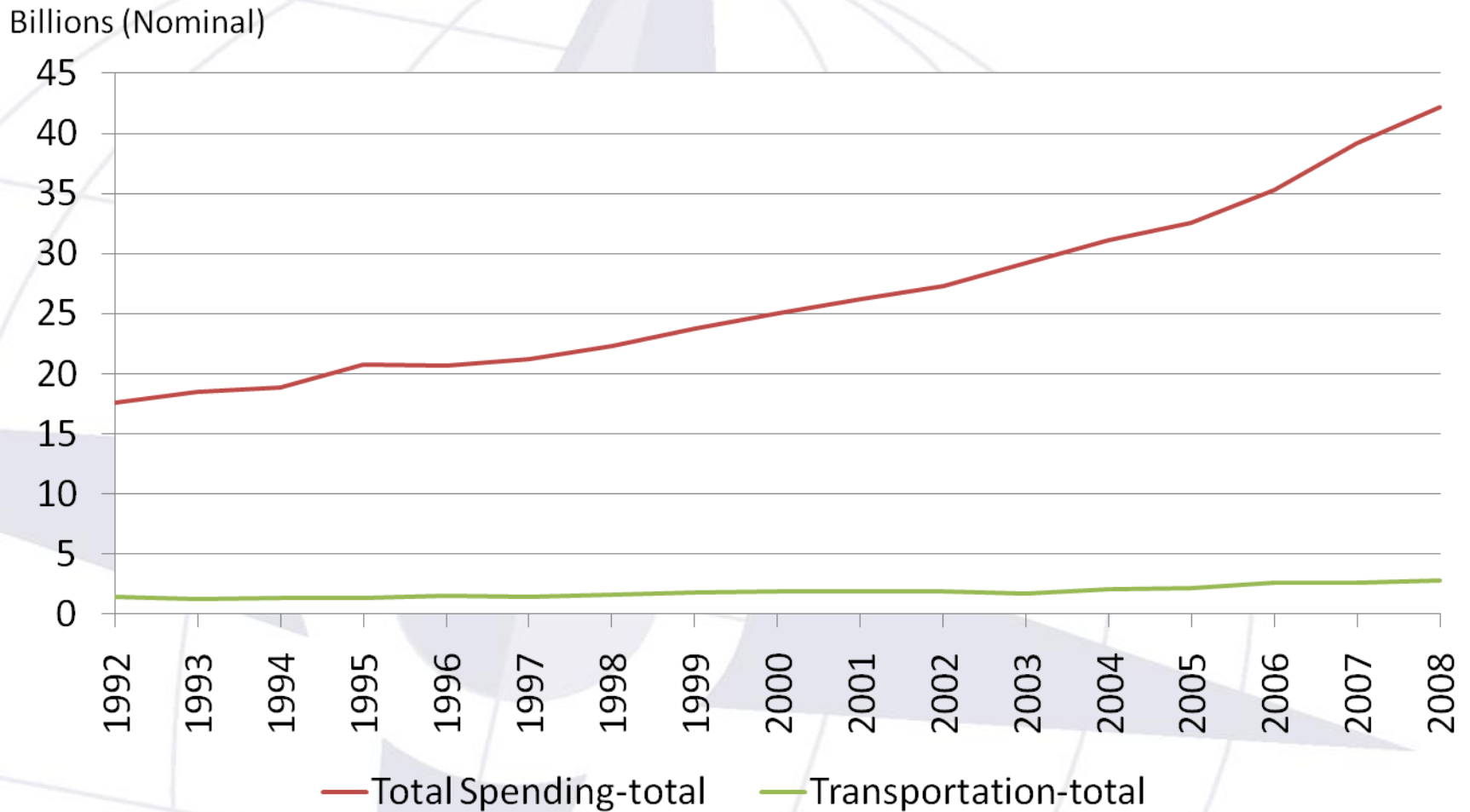
- cost effectiveness and accessibility to various modes and facilities, and ultimately other markets



Strategies Recommended By LATTTS

- Utilization of Existing Infrastructure
- Add Physical Infrastructure
- Increase Operating Throughput
- Corridor Approach for Investing
- Develop Agile Freight Operations
- Improve Clearance at Gateways
- Attention to Connectors
- Encourage Technology
- Integration of Information
- ITS Applications
- Increase Public Awareness
- Improve Institutional Relationships
- Improve Freight Profile
- Partnerships

Total State Expenditures versus Transportation Expenditures for Alabama (1992 -2008)



So What? Can we be proactive with Corridors?

- Need to develop strategic intermodal corridors and their connectivity
- Capacity expansion – waterways, dredging, railroad corridors, interstate highways
- Resolve conflicts at multimodal intersections (bridges, grade crossings, etc.)
- Recognition that multimodal corridor tradeoffs exist

So What? Can we be proactive Institutionally?

- Foreign Investment has shaped the south – but need to become involved early remain
- Not every project should be built-equity vs. efficiency
- Regionalization will be key - partnerships shaping new economic geography
- Communicate value of these projects?
- Fixing The “Broken Triangle”

Does Freight Help Alabama?

- Alabama benefits
 - From its location
 - previous investment in public and private freight infrastructure
 - Connections with world markets, generating jobs from FDI and exports
- But...
 - Remains dependent upon external markets to generate economic growth
 - The lack of funding may lead to congestion and unreliability, adding costs to Alabama businesses

Thank you

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