



INSTITUTE FOR TRADE AND TRANSPORTATION STUDIES

PROMOTING REGIONAL AWARENESS FOR IMPROVING FREIGHT TRANSPORTATION

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NEWS UPDATE

🌐 The ITTS conference is quickly approaching. Both North Carolina DoT and the UNCC have been of great assistance in planning and organizing the conference. I hope you are making plans to join us in Charlotte in February 2011.

🌐 ITTS also served as the program chair for the CFS conference in Washington D. C. in November. It was great to see the people who recognize the importance of the CFS, based upon the larger than expected attendance!

🌐 Finally, I also made a presentation to the US Committee on the Marine Transportation System based on PIANC WG32's Performance Indicators for Inland Waterways. The report outlines how to frame performance measures for inland waterways, but the same approach could be used for any large corridor with a mix of freight and passenger traffic.



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The Future of International Trade in the Southeast

Given the recent focus on international trade, there are numerous gateway options available to shippers in the U.S., which includes trade with Mexico and Canada, as well as ocean and air transportation services. Given the importance of international trade to the region, ITTS purchased IHSGlobal Insight forecasts to assist in ITTS studies as well as to provide assistance to member states.

While the forecast detail covers many different elements, such as air and water exports, shipment types (containerized, bulk, etc.) for various markets and commodities, this brief write-up will only focus on the trade trends related to total trade, in value, for the respective region. The forecast is broken into two regions: the South Atlantic Seaboard (with states and ports ranging from Virginia to Eastern Seaboard of Florida) and the rest of the ITTS Region (Arkansas, Alabama, Western Florida, Kentucky, Louisiana, Mississippi, Tennessee) are combined into the Eastern Gulf region.

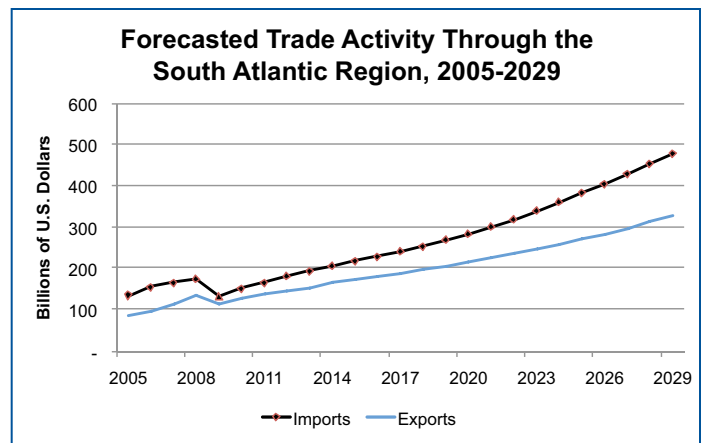
The South Atlantic Region

Imports into the South Atlantic's gateways are expected to increase to \$479 billion in 2029, a jump from 2009's \$133 billion. Vehicles, Drugs and Medicines, Machinery and Equipment, and textiles are expected to be the top commodities imported through the South Atlantic gateways in 2029.

In 2009, the following were the top import sources: China, Germany, Japan, and the United Kingdom. In 2029, trade with India is expected to break into the top five import sources for the region. As expected, the share of imports from China is expected to remain the dominate growth source for import traffic.

The major export markets for the South Atlantic Region are Germany, Brazil, and China. In 2029, the top five country partners do not change. China's share of net exports from the South Atlantic gateways are expected to grow from 5% to 10% over the next 20 years.

(The other major regions will see growth rates slightly below the region's 5.4% average annual compound growth rate over the next 20 years.) The top commodities exported through the region's gateways in 2009 are expected to remain



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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 Alabama Department of Transportation, the Arkansas State Highway and Transportation Department, the Florida Department of Transportation, the Georgia Department of Transportation, the Kentucky Transportation Cabinet, the Louisiana Department of Transportation and Development, the Mississippi Department of Transportation, the North Carolina Department of Transportation, the South Carolina Department of Transportation, the Tennessee Department of Transportation, the Virginia Department of Transportation, and the West Virginia Department of Transportation.

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▶ LAMBERT'S LAGNIAPPE

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

Well, the holidays are upon us, with the associated demands for our time, money, and energy. For me, November ended with high expectations, as the outside lights were hung after Thanksgiving. Slowly, the interior decorations crept out of their boxes into their anointed places around the house.

The customary focus on shopping and gift giving is being replaced by baking Christmas cookies while the soundtrack of the season blares from every speaker, phone, or headset. (Yes, I do listen to the barking dogs and the other novelty tunes that Christmas inspires!) There are always last minute plans

that require travel and coordination, as we run from event to event, and spend time with family and friends. The steady flow of Christmas cards, with their individual messages, are always enjoyable and reminds me that we are only as rich as the friendships we share.

During this time of "panic", expectation, and reflection, I want to thank you for your friendship and support. I look forward to strengthening these ties in the future. In keeping with the wonderful, chaotic mess that leads up to Christmas, I wish you and yours the Merriest of Christmases and a Joyous New Year. ■

What is a... Landlord Port?

Public Port authorities are granted a charter to build and manage, either within a city, county (parish) or state, a public port. (Most ports in the U.S. are quasi-government agencies.) As such, port authorities are engaged in the commercial land development business, requiring large capital outlays to construct and maintain channels, docks, berths, and supporting infrastructure. These investments are expected to generate traffic, and revenue, for a port authority (and the local community) over the long run.

After developing a maritime facility, most U.S. ports simply find a tenant to rent the facility, similar to a landlord operating a shopping mall. This third party, after signing a long term lease, will actually manage the terminal. Most port leases have incentive clauses that encourage stevedores or terminal operators to handle more cargo through a facility to get preferential treatment or lower rates. This is contrasted by operating ports, of which a few exist within the United States, that actually run the terminals themselves. A landlord port may only be in a position to encourage or arrange transportation services through a leased facility. An operating port may be more flexible in working to attract cargo. The trade off is that landlord ports secure steady incomes from its leases, while an operating port has to develop or attract trade to generate income, but these relationships do tend to be long term in nature.

Finally, a port may not necessarily own all the docks and wharves in its port area, regardless of how many terminals a port develops. These private terminals may actively solicit cargo or provide services to a dedicated carriers. In some cases, these private terminals may compete against terminals leased or operated by a public port authority. ■



The National Multi-Modal Transportation Steering Committee held their first meeting outside of the United States in Panama, December 5-8, 2010. At the invitation of the North Carolina Department of Transportation, ITTS member states were invited to attend the North American meeting in Panama.

Photo: Bruce Lambert (ITTS), Tom McQueen (GA DOT), Roberto Canales (NC DOT), Hart Baker (SC DOT), Jed McMillan (NC DOT), Seth Palmer (NC Lt. Governor's Office)

The Future of International Trade in the Southeast

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unchanged in 2029, as the top exports, by value, are motor vehicles, aircraft, and machinery and equipment.

The Eastern Gulf Region

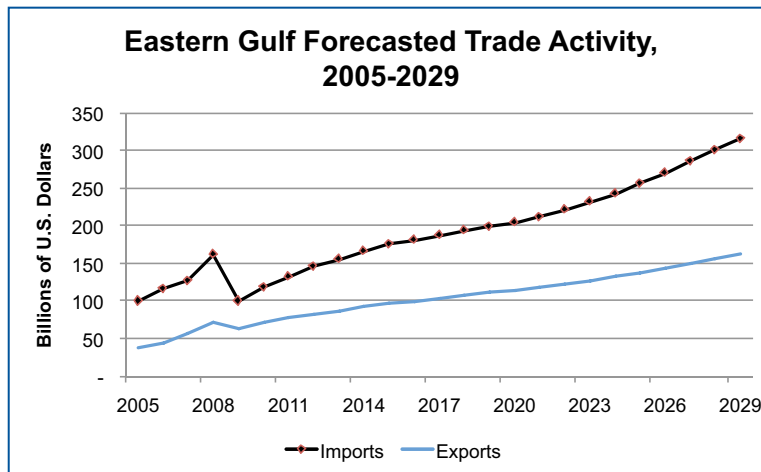
The region should expect to enjoy a strong growth in import shipments, as total imports will increase to over \$300 billion in 2029 from \$100 billion in 2009. Almost half of the value of cargo imported through the region will be crude petroleum (which suggests the energy demands of the U.S. will continue to be served by the critical facilities located in the Gulf South). While imports of other products through the region are expected to increase, petroleum's share will only decline to 42% of the total value of imports. (Total crude shipments grow from \$42 billion in 2009 to over \$130 billion in 2029.) Other import commodities are expected to see strong growth in the region, as refined petroleum products, office and computing machinery, semiconductors and other communication equipment round out the top five import commodities in 2009. In 2029, the other top commodities are expected to be refined petroleum, general cargo, iron and steel, and chemicals.

Of the top five import sources into the Eastern Gulf, volumes from Western Africa, Mexico, Saudi Arabia, and Venezuela, should remain the top import sources. The fifth largest importer into the Eastern Gulf, Germany, is expected to be overtaken by imports from China over the next few years.

The IHSGlobal Insight suggests that exports through will grow to over \$150 billion in 2029. The largest export market for the Eastern Gulf Region is China, followed by Japan, Other Central America, Canada and Mexico. China trade accounted for roughly 10% of

the region's exports in 2010, but the forecast suggests that by 2029, China will account for roughly 18% of the Eastern Gulf's total exports by value. The other major export destinations, Japan, Canada, Mexico and the Caribbean Basin, will experience growth over the next 20 years, but below the region's compound annual average growth rate of 4.8%. The result will by the year 2029, the region's top export markets (ranked by total value) will be China, Canada, Other Central America, Singapore, and Japan.

The top four commodities exported through the region in 2009, oil seeds, refined petroleum products, aircraft,



and grains, are expected to be same in 2029, although the relative rankings do change. The fastest growing export commodity groups from the are anticipated to be scrap, natural gas, general cargo, ores and organic chemicals.

Implications for the southeast

Trade in the Southeastern Region is expected to remain fairly strong over the next 20 years, largely keeping pace with the overall growth in U.S. trade. When considering the region's share of total U.S. trade, the Southeastern region handled roughly 16% of the value of the nation's imports and 20% of the Nation's exports. It is anticipated that these shares will remain fairly constant over the next twenty years.

Given the strong growth of freight, the regional gateways will require new investment (which the Panama Canal

expansion is serving as a "exhibit 1"). Normally, we consider ports must not only increase terminal size, but also the water infrastructure, which includes dredging, turning basins, and other facilities to accommodate larger vessels. For the airport, this means not only terminal space, but also runways. However, airports and marine ports will also need investments in local roads and bottlenecks to service respective customers. This may not only include highway capacity, but also rail and/or waterway capacity. If we assume every export load requires at least two domestic truck moves, traffic on the region's highways will only worsen, especially around the gateway areas, without considering the linkages to alternative modes.

As with any forecast, there are many things that can change, but I am not as pessimistic regarding forecasts as the noted economist, John Kenneth Galbraith, who stated "The only function of economic forecasting is to make astrology look respectable." There is a certain hierarchy regarding what to consider when conducting a transportation forecast. The

first is big picture changes (economic and monetary policy, sourcing options, etc.), followed by operations (regulations, shipping patterns, including expansion of the Panama Canal), and the unknown (security, outside shocks, etc.). Generally macro forecasts attempt to get the first of these elements correct, namely financial matters, but transportation "shocks" can occur suddenly based on the other two components. At this point, transportation planners must consider what may happen, despite the recognition that external factors outside of local planning and development may result in misaligned projects. Despite concerns regarding the future of the U.S. economy and investment needs, international trade will remain a vital piece of the Southeast's future, one that needs careful planning not only at the gateways but also along the corridors. ■

▶ 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

January 9-12, 2011
2011 Louisiana Transportation Conference
 Baton Rouge, Louisiana
http://www.ltrc.lsu.edu/ltrc_11/

January 20-21, 2011
Kentuckians for Better Transportation 2011 Conference
 Lexington, Kentucky
<http://www.kbt.net.org/>

January 23-27, 2011
2011 TRB 90th Annual Meeting: Transportation, Livability, and Economic Development in a Changing World
 Washington, D.C.

http://www.trb.org/Calendar/Blurbs/2011_TRB_90th_Annual_Meeting_162702.aspx

January 30-February 1, 2011
Georgia Foreign Trade Conference
 Sea Island, GA
<http://logistics.georgiainnovation.org/events/details/496/2010-12-02>

February 1-2, 2011
American Association of Port Authorities "Shifting International Trade Routes"
 Tampa Florida
<http://www.aapa-ports.org/Programs/seminarschedule.cfm?itemnumber=17549>

February 9-11, 2011
Freight in the Southeast Conference
 Charlotte, NC.
http://www.ittsresearch.org/itts_conferences.html#2011

February 20-23, 2011
RILA Logistics Conference
 Gaylord Palms Resort & Convention Center, Orlando, FL
<http://www.rila.org/events/conferences/Pages/Logistics.aspx>

ITTS Conference: FREIGHT IN THE SOUTHEAST
 The second ITTS Freight in the Southeast Conference is shaping up nicely.
 Moving Our Region's Business



The speakers that are listed on the program have been confirmed, and I hope you are making your reservations to join us. The registration is open at <http://continuinged.uncc.edu/itts>, and 1.5 hours of continuing education units are available for attendees.

If you want to know more about the last year's conference, the conference information is available at http://www.ittsresearch.org/itts_conferences.html#2010 and pictures are posted on the ITTS blog.

▶ TRADE PROFILE ... United Kingdom

With the close cultural ties between the U.S. and the United Kingdom, the U.K. ranks as the U.S.'s 6th largest trading partner. In 2009, U.S.-U.K. amounted to over \$93 billion of trade, as \$47 billion of imports into the U.S. were traded for \$45 billion in exports. (This represents the flow of goods, not services, so copyright payments are excluded.)

In 2009, the top imports from the U.K. into the Southeast were pharmaceutical products (\$4.3 billion), industrial machinery (\$1.1 billion), mineral fuel, oil etc. (\$1.1 billion), vehicles (\$0.9 billion), and electric machinery (\$0.6 billion).

In 2009 the top exports from the U.K. into the Southeast were aircraft (\$1.2 billion), industrial machinery (\$1.0 billion), vehicles (\$0.8 billion), medical instruments (\$0.6 billion), and electric machinery (\$0.6 billion).

The Southern U.S. had enjoyed strong growth in trade with the United Kingdom, but total trade for most products did decline during 2009. When comparing year to year trends, imports are up 4%, largely due to increased imports of mineral fuels, automotive parts and electrical machinery. For exports, shipments to the United Kingdom are up almost 10%, lead by exports of aircraft, vehicles and industrial machinery.

In 2009, the top export gateways from the region are New Orleans (\$1.5 billion), Charleston (\$1.3 billion), Norfolk (\$1.2

billion) and Miami (\$0.3 billion.) Together these four ports accounted for almost 68% of the export shipments to the United Kingdom. These ports also ranked as the three largest import gateways in the ITTS region, with shipments through New Orleans (\$1.9 billion), Charleston (\$1.7 billion), and Norfolk (\$1.0 billion), leading all other gateways.

Of the Southern States, Georgia and Kentucky were the leading sources of originating cargo bound for the United Kingdom, with Virginia and Florida a close third and fourth. However, on a year to year comparison, the Carolinas have enjoyed the strongest bounce. (New York is the largest origin of exports to the UK, followed by California, Utah, Massachusetts and Texas.)

IHSGlobal Insight forecasts suggest that trade between the Southeastern U.S. and the United Kingdom will grow in the future.

It is anticipated that trade volumes will grow from \$16 billion in total trade to \$51 billion by 2029. Of the two southeastern U.S. regions (the South Atlantic seaboard and the Eastern Gulf), roughly 75% passes through the South Atlantic, with the remaining 25% shipping through the Eastern Gulf. It should be noted that other cargos to/from the U.K. may be leaked to other ports, such as New York/New Jersey, which may provide better connections and other service options, although the cargo may ultimately have an origin or destination within the Southeast. ■

