



INSTITUTE FOR TRADE AND TRANSPORTATION STUDIES

PROMOTING REGIONAL AWARENESS FOR IMPROVING FREIGHT TRANSPORTATION

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NEWS UPDATE

At the Transportation Research Board annual meeting, ITTS spoke on planning for domestic freight shipments. Furthermore, ITTS also participated in the "Transportation for Mississippi's Sustainable Economic Growth Symposium". Both presentations are available on the ITTS website.

ITTS briefed the Florida Department of Transportation regarding both the history of ITTS and future research efforts.

Regionally, Georgia released its Freight & Logistics Plan, which estimated multimodal transportation investment needs. The study recommends that, by investing \$18-\$20 billion over the next 40 years in freight improvement projects, Georgia could generate over \$65 billion in additional economic activity.

Finally, work continues on the upcoming ITTS Conference in Norfolk Virginia, March 14-16. I hope to see you there in a few weeks.

Southeastern Freight Dependence

In discussing the importance of freight, however, it becomes somewhat problematic to describe the contribution of freight traffic in the U.S. economy. Over the past twenty years, the U.S. has transitioned into a more service dependent economy, away from more "freight dependent" industries. But can one quantify that transformation based on economic data to highlight the differences on freight dependence between different sectors?

When considering the economic activity in a region, most economists use

Gross Domestic Product, which measures net economic activity. However, when considering transportation activities, such a broad measure does not necessarily describe the change in businesses and industry clusters. Traditionally, we discuss jobs as being in the service sector, the public sector, or a host of various methods to create a picture of an economy. In the United States, the North American Industry Classification System (NAICS) is the standard used by

Continued on page 3

Table 1. North American Industrial Classification System Codes

NAICS Code	Industry Description	Service or Goods Industry	Freight Dependence
11	Agriculture, Forestry, Fishing and Hunting	Goods	Freight Generating
21	Mining	Goods	Freight Generating
22	Utilities	Service	Freight Consuming
23	Construction	Goods	Freight Generating
31-33	Manufacturing	Goods	Freight Generating
42	Wholesale Trade	Service	Freight Consuming
44-45	Retail Trade	Service	Freight Consuming
48-49	Transportation and Warehousing	Service	Freight Consuming
51	Information	Service	Service
52	Finance and Insurance	Service	Service
53	Real Estate and Rental and Leasing	Service	Service
54	Professional, Scientific, and Technical Services	Service	Service
55	Management of Companies and Enterprises	Service	Service
56	Administrative and Support and Waste Management and Remediation Services	Service	Freight Generating
61	Education Services	Service	Service
62	Health Care and Social Assistance	Service	Service
71	Arts, Entertainment, and Recreation	Service	Service
72	Accommodation and Food Services	Service	Service
81	Other Services (except Public Administration)	Service	Service
92	Public Administration	Service	Service (Military Activity is Considered Freight Consuming)

INSIDE THIS ISSUE

Lambert's Lagniappe	2
Mid-America Freight Coalition to Partner with ITTS	4
Calendar	4

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<http://www.ittsresearch.org/blog/>



Institute for Trade and Transportation Studies

Bruce Lambert
Executive Director

316 Board of Trade Place
New Orleans, LA 70130
Phone: 504-455-9882
Alternate No: 504-566-7227
Fax: 504-525-8197
bruce@ittsresearch.org

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.*

Why Is Everyone Interested in Freight?

When considering the nature of the economy, I have been amazed at how many people are attending meetings, seminars, and other events to learn more about how freight creates economic opportunities. What surprises me is that one would think everyone would already understand transportation supports economic activity, but it does not guarantee prosperity unless other things are in place (cargo, business climate, workforce, and other factors).

The irony of rediscovering "logistics fueled" growth contrasts with the perception of a national transportation infrastructure that is taken for granted, despite the U.S. being the world's largest freight market (roughly 40% of total tonnage moved according to the Organisation for Economic Co-operation and Development (OECD)). For most people, freight transportation is not really something to consider; it only involves understanding that the system works when things arrive on time and in good condition. There are critical educational gaps about freight and economic development, which most attendees identified as one of the main challenges at the Transportation for Mississippi's Sustainable Economic Growth Symposium.

This leads me to wonder if we are really presenting both the public and decision makers with the correct information. Often, we are caught up in trying to describe freight, freight projects, and economic development. For one example, what is "freight"? Is it a barge, a plane, a railroad, a truck, or is the cargo moving itself? What about local deliveries, such as to a corner market, or a shipment of blood to a hospital? (At the Transportation Research Board's annual meeting, I used a bagged lunch to describe how complicated supplies can be for simple

products.) To complicate the scenario, how do we identify freight projects, especially with so many different users operating on the same system? Finally, what is economic competitiveness, and can we leverage our transportation accesses to either capture or create new opportunities? This final question is the one everyone really wants to know – "will my business/region gain in the future"?

No one argues that investing in highways would not generate economic activity, as FHWA estimates that each billion in federal aid money spent on capacity-related highway transportation results in 13,000 direct, indirect, and induced jobs. Given the amount of freight traffic already on the system, most state departments of transportation are already heavily involved in supporting freight projects, even if interchanges, connectors, and capacity programs are not labeled as "freight projects".

Given the interest in developing American economic competitiveness, freight does serve as a proxy for providing access for businesses and reducing costs. Changing the focus on infrastructure from a roadway to a competitive asset requires thinking differently: this requires some shift towards considering the potential for economic efficiency versus simply satisfying local or state traffic demands. If the future of investing in projects focuses on creating societal and economic wealth, the question remains "can we evolve into a more analytical framework for evaluating projects"? Moreover, what data and analytical needs lie beyond what is available to planners today? Such a policy/planning transformation will not be without pain, but the more people seek to develop economic competitiveness, of which transportation represents a critical element, the more the dialogue may shape the future of transportation investment in the U.S. ■

ITTS Freight in the Southeast Conference – Charlotte, 2011

For those who were unable to attend last year's freight conference in Charlotte, North Carolina, the conference summary is available now on the ITTS website. You can also browse the photos from both the sessions and the reception. (I hope that I caught everyone in a good light!) Most people reported they found the conference unique, engaging, and enjoyable, with quality presentations, great networking opportunities, and a wonderful tour of the NASCAR Hall of Fame.

All information about the conference is available at http://www.ittsresearch.org/ITTS_2011_conference.html



Southeastern Freight Dependence

Continued from cover

the Federal Government to examine business information. NAICS codes use a two- through six-digit hierarchical classification system. The two-digit level describes the economic sector, with more digits offering additional information on narrower economic subsets. Industries are separated as either “good” or “service producing,” based on the characteristics of the industry’s outputs.

NAICS codes record the economic output of an establishment without

recognizing the inbound traffic flows or its related transportation flows but, as the basis of national GDP accounts, remains the proxy for economic activity. Part of this is to prevent double counting of economic activity, as it is assumed that the shipment from a mine head or terminal would be captured, but this will not necessarily underscore the transportation component of various sectors. For example, while warehousing provides a value to a cargo owner, it does not necessarily produce goods. (Many third party logistics providers are offering more manufacturing support services to their

customers, so even this maybe changing.) Import traffic would show up at whatever establishment received the cargo, such as a warehouse, without being produced in the United States. Other industries, such as utilities, are large consumers of freight transportation shipments, but as their output is not necessarily a “freight” shipment, they are classified as a service-producing industry.

By using this crude “freight proxy” based on two-digit NAICS codes, I propose a secondary NAICS Grouping, presented in Table 1. This grouping bases industries

Continued on page 4

Table 2. Freight Dependent Estimates for the Nation, and the Southeast, comparison between 2000-2010, Nominal Billions of Dollars

	2000				2010				% Change 2010-2000		
	Consuming	Producing	Service	Total	Consuming	Producing	Service	Total	Consuming	Producing	Service
United States	1,872,701	2,087,436	5,924,034	9,884,171	2,546,386	2,658,584	9,346,812	14,551,782	36%	27%	58%
Alliance Region	449,964	490,611	1,207,033	2,147,608	635,639	609,532	1,993,039	3,238,210	41%	24%	65%
Alabama	25,149	29,885	60,978	116,012	34,824	40,005	97,736	172,565	38%	34%	60%
Arkansas	15,022	20,351	32,772	68,145	22,598	23,786	56,180	102,564	50%	17%	71%
Florida	104,154	64,608	312,356	481,118	149,644	78,734	519,356	747,734	44%	22%	66%
Georgia	66,828	64,634	163,017	294,479	88,810	64,028	250,233	403,071	33%	-1%	54%
Kentucky	25,108	33,948	54,053	113,109	36,427	40,240	86,603	163,270	45%	19%	60%
Louisiana	26,171	40,667	64,592	131,430	38,160	80,232	100,463	218,855	46%	97%	56%
Mississippi	14,756	16,520	34,338	65,614	20,646	24,197	52,618	97,461	40%	46%	53%
North Carolina	51,485	86,595	143,337	281,417	74,689	101,113	249,132	424,934	45%	17%	74%
South Carolina	24,097	31,546	59,748	115,391	34,478	35,203	94,765	164,446	43%	12%	59%
Tennessee	38,249	42,820	96,513	177,582	50,633	49,151	155,023	254,807	32%	15%	61%
Virginia	50,142	48,661	163,090	261,893	72,847	56,201	294,813	423,861	45%	15%	81%
West Virginia	8,803	10,376	22,239	41,418	11,882	16,642	36,118	64,642	35%	60%	62%
Shares											
United States	19%	21%	60%		17%	18%	64%		-8%	-13%	7%
Alliance Region	21%	23%	56%		20%	19%	62%		-6%	-18%	10%
Alabama	22%	26%	53%		20%	23%	57%		-7%	-10%	8%
Arkansas	22%	30%	48%		22%	23%	55%		0%	-22%	14%
Florida	22%	13%	65%		20%	11%	69%		-8%	-22%	7%
Georgia	23%	22%	55%		22%	16%	62%		-3%	-28%	12%
Kentucky	22%	30%	48%		22%	25%	53%		1%	-18%	11%
Louisiana	20%	31%	49%		17%	37%	46%		-12%	18%	-7%
Mississippi	22%	25%	52%		21%	25%	54%		-6%	-1%	3%
North Carolina	18%	31%	51%		18%	24%	59%		-4%	-23%	15%
South Carolina	21%	27%	52%		21%	21%	58%		0%	-22%	11%
Tennessee	22%	24%	54%		20%	19%	61%		-8%	-20%	12%
Virginia	19%	19%	62%		17%	13%	70%		-10%	-29%	12%
West Virginia	21%	25%	54%		18%	26%	56%		-14%	3%	4%

▶ 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

March 6-8, 2012

Inland Waterways Navigation Conference

St. Louis

🌐 **March 13, 2012**

New Carolina TDL Council Summit 2012

Columbia, SC

March 15-17, 2012

53rd Annual Transportation Research Forum

Tampa, FL

March 27-28

National Waterways Legislative Summit

Washington, DC

April 3-4, 2012

Appalachian Regional Commission: Growing the Appalachian Food Economy: A Forum on Local Food Systems and Sustainable Agriculture

Asheville, NC

April 14-17, 2012

2012 APA National Planning Conference

Chicago, Illinois

April 10 - 12, 2012

Critical Commodities Conference

New Orleans, LA

April 17 - 19, 2012

2012 Joint Rail Conference: Technology to Advance the Future of Rail Transport

Philadelphia, Pennsylvania

April 30-May 2, 2012

Innovations in Travel Demand Forecasting – 2012

Tampa, Florida

May 18-21, 2012

2012 AASHTO Spring Meeting

Traverse City, Michigan

May 23-25, 2012

Making Progress: Transportation Planners and Programmers Turn Ideas into Reality

Denver, Colorado

FREIGHT IN THE SOUTHEAST
Moving Our Region's Business



Save the Date

March 14-16, 2012 – Norfolk, VA

(Please visit http://www.ittsresearch.org/itts_conferences.html)

If you are interested in partnering opportunities, or wish to participate in the organizing committee, please contact Bruce Lambert.

Mid-America Freight Coalition to Partner with ITTS

The Mid-America Freight Coalition (MAFC) is entering into a collaborative partnership with ITTS.

This interregional partnership encompasses more than half of the United States and includes nearly every core industry—agriculture, automotive, manufacturing, mining, commodities, logistics, shipping, and warehousing.

Representatives from the MAFC and ITTS will work together to further encourage cooperative freight development between the two coalitions and their member states. The following states comprise the Mid-America Freight Coalition: Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Ohio, and Wisconsin.

MAFC will be hosting its freight meeting in Minneapolis, Minnesota, on April 18-20, 2012. Please visit midamericafreight.org for more information.



Southeastern Freight Dependence

Continued from page 3

upon whether it is largely Freight Generating (goods producing), Freight Consuming (receives freight) or is wholly in the Service sector (including government). One can argue that the service industries require “freight” shipments, such as parcel mail, etc., or service industries, such as plumbers and locksmiths, consume transportation, but as these represent a small component of the industry’s overall economic activity, they are excluded here. The only exception in the Service sector involves federal military activity, which I classified as a freight consuming activity. (As the 2010 federal Military expenditures were not reported, I grew the 2009 levels by the aggregate spending growth in federal spending in each state to get an estimated 2010 value.)

Using this modified “Freight Dependent” factor, we could easily look at the relative dependence upon freight traffic within a region. Table 2 reports the eco-

nomics activity for the U.S., the Southeast Region, and for the various states, based on the contribution of “freight dependent” to their economy. (The Gross Domestic Information came from the Bureau of Economic Analysis.)

For the U.S., 36% of the U.S. economy is related to freight dependent industries, while the regional average is 38%. For Virginia and Florida, with their large service-based economies, freight dependent industries still contribute roughly 30% of the state’s economic activity. For other states, roughly half of their economy depends upon the efficient movement of freight cargo.

While the economy of the individual states and the entire U.S. grew over the past ten years, the shift in service industries that were not necessarily freight dependent becomes noticeable when using this secondary NIACS grouping. For most states, the freight producing indus-

tries grew at the slowest pace (and were actually stagnant in Georgia). Why did this decline occur? There are many reasons, such as increased imports, improved manufacturing, the surge in medical and financial jobs, etc. But the message is simple: a shift away from economic activities that depend upon freight has occurred, despite their overall growth.

While this simplistic grouping may not necessarily be the most accurate portrayal of economic/freight dependent industries, it can provide a crude proxy of the relative importance of freight transportation to a state or region. Finally, this measure also allows one to recognize that not all economic activity is directly tied to freight traffic, but it remains a significant economic contributor in any state.

As with any discussion, I am open to suggestions and comments regarding ways that better link traditional economic activity and transportation needs. ■