INSTITUTE FOR TRADE AND TRANSPORTATION STUDIES

PROMOTING REGIONAL AWARENESS FOR IMPROVING FREIGHT TRANSPORTATION

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NEWS UPDATE

- With the start of summer, June has been a busy month. I attended the Southern Growth Policy Board's meeting on the Southern Automotive Industry in Lexington Kentucky. *(See review)*

- I also visited with the Florida and Tennessee Departments of Transportation. It is very interesting how many states are struggling with the same things regarding freight movement.

- ITTS continued its work in organizing the Commodity Flow Conference this November, as well as the TRB Summer Meeting. I also worked on related reports on biofuels and globalization. I hope to make an announcement soon about the date and location of next year's ITTS conference.

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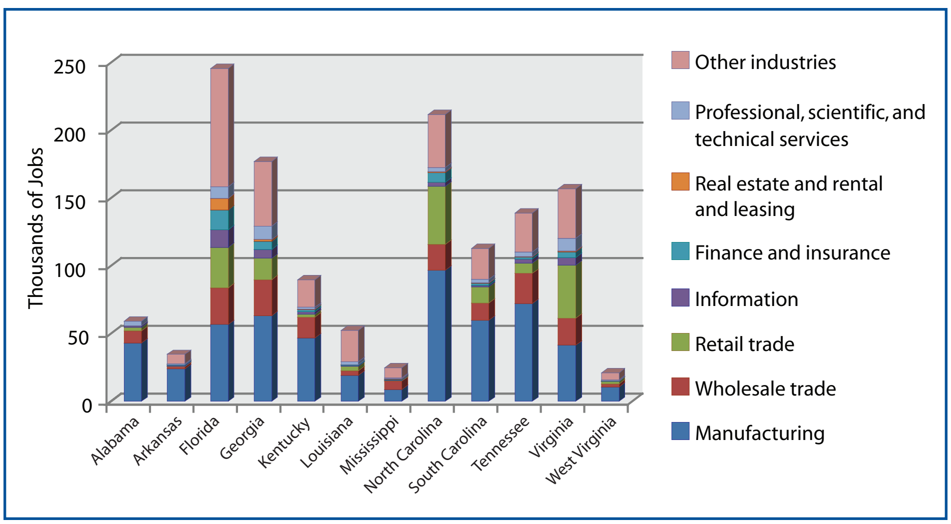
Foreign Direct Investment In The Southeast

The region, often cited for its quality of life, labor rules and other amenities, has enjoyed a wave of foreign investment since the 1980s. In 2007, over 1.3 million people in the Southeast worked for a majority foreign owned company.

Florida, given its heavy integration as the hemispheric crossroads of Latin America, led the region in total employment of US workers by Non US firms. In 2007, almost 246 thousand workers were employed for a US Affiliate of an overseas company. The largest category, Other Industries, includes transportation and warehousing, etc. North Carolina has also been very attractive for manufacturing investment, but also for financial and insurance firms. For most of the states in the region, investment in manufacturing was the leading sector. Economic developers seek foreign direct investment, as these firms on average pay higher wages (8% more), provide more generous compensation packages and better job security, and invest more in training per worker.



Employment for US Affiliates of Non US Companies, By State and Industry, 2007

From a transportation perspective, foreign direct investment requires transportation, and these firms are also more likely to be involved in both importing and exporting at the same facility than a domestic firm. The poster child of Southern Foreign Direct investment is the auto industry. Beginning in the 1980s, the auto plants and suppliers clustered in Michigan began migrating south seeking to lower their production costs and get closer to the growing markets of the south. Meanwhile, foreign automakers and their related suppliers entering the US market chose to locate in the region because of incentive packages and corresponding political pressures to sell cars built in the U.S. From 1979 to 2009 the number of assembly plants in the South went from 5 to 13.

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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.

Growing up in Louisiana, my dad drove mostly Chevrolets. My first car was a full sized Chevy Scottsdale truck that we used to haul horses, hay and other things. As a kid, I never thought about purchasing a "foreign car". Over time, my attitude to foreign cars changed, as has most Americans. In June, I purchased a new Nissan Altimata, a car built in Canton, Mississippi. Most people do not realize that today, there are more cars built in the U.S. by foreign owned companies that by the traditional "Big 3" (General Motors, Chrysler, and Ford).

One of the strongest drivers of that transformation is the story of the growth of the Southern Auto Industry since the 1980s. While Kentucky remains one of the leaders in the Southern Industry, Tennessee, Alabama, and South Carolina have all attached foreign automotive producers. Although Mississippi got into the foreign auto assembly industry relatively late, they have also seen their auto industry grow, including the recent announcement of Toyota to develop the Tunica site.

In June, I attended the Southern Growth Policy Board's meeting in Lexington, Kentucky. It was a very good conference, with a strong focus on the economic development aspect of the Auto Industry. While there was some remarks upon the future of the industry, most felt that the region will remain a strong leader in the production of automobiles, due to its infrastructure and access to markets.

I am in the process of finishing up a study of the automotive industry in the Southeast with Chad Miller at the University of Southern Mississippi. We will release the report and annotated bibliography in a few weeks, but clearly the region has benefited from the investment in the auto industry. So, in a twist of fate, I am part of the story that I am researching – how the South has been transformed not only by Foreign Investment in the Auto Industry, but in a changing perspective of the region's economic potential. ■

What is… The Inland Waterway Trust Fund?

All navigable waterways in the United States are controlled by the Federal Government and are managed by the US Army Corps of Engineers. (The Corps of Engineers was first authorized to work on inland navigation projects in 1824.) With over half of the existing locks and dams exceeding their design life, estimates suggest that any unexpected closure can result in short term losses of millions of dollars per day to both carriers and shippers. As there are many other beneficiaries who rely on locks and dams and the steady pools of water created by them, there is a need to ensure these critical infrastructure projects continue to receive funding.

In the past, all waterway projects were completely funded by the U.S. Government through various appropriation acts, but the 1986 Water Resources and Development Act (WRDA) established the inland waterways trust fund. A trust fund, based on a per gallon tax on diesel fuel purchased by the commercial towing industry, was collected to offset the costs of inland navigation projects for locks and dams. These funds were to be used to cover half of the related costs for inland navigation projects with the remaining funds coming from the general treasury by Congressional appropriations. The fund had a balance of $57.7 million at the end of Fiscal Year 2009, with an estimated $40 million that could be spent on new obligations. (These funds are separate from the Stimulus funding the Corps received, which did not require a Trust Fund match.)

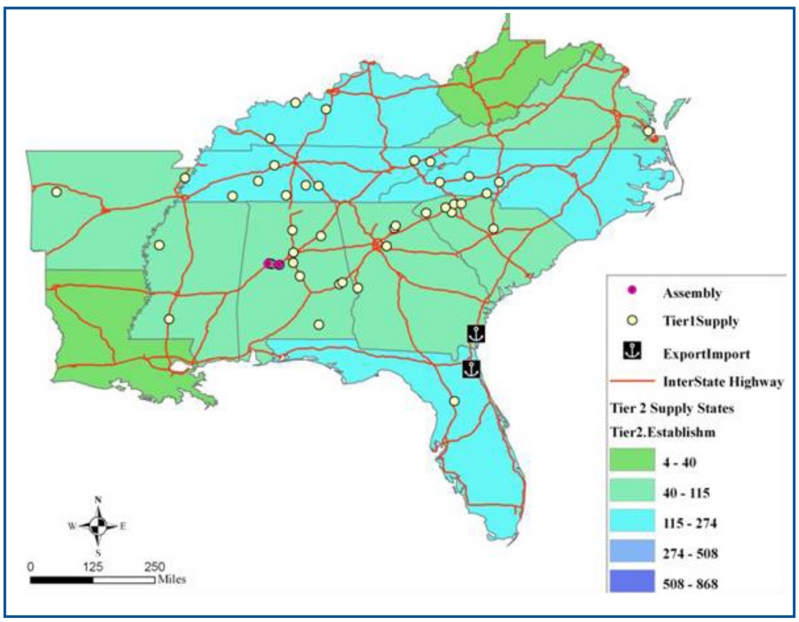
At the April Inland Users Board Meeting, the Board approved a 20 year strategic plan to reinvest in waterway infrastructure, which included raising the Inland User fee to between 26 and 29 cents per gallon. While the User Board asked for a higher tax, they also are requesting that the Federal Government allocate funds in a timely manner and make other changes in the way the Corps manages and delivers projects, as many existing lock and dam projects are suffering from cost and construction overruns. (It would also remove dams, which have multiple beneficiaries, and lock rehabilitations under $100 million, from the trust fund.) This will not change the authorizations for waterway projects, only the funding and the system based priorities necessary to move projects forward. Under existing plans only 6 waterways projects are completed in the next 20 years. Under the proposed plan, 25 projects are completed in the next 20 years. Congress is considering incorporating these recommendations in the next WRDA bill.

More information about the Inland Waterway Trust Fund is available at http://www.waterwaysusers.us// ■

Foreign Direct Investment In The Southeast

Continued from cover

These foreign owned plants had different characteristics than traditional plants. For example, the Mercedes plant in Alabama is not completely the equivalent of one of Mercedes's production facilities in Europe. It does not produce engines, which come from Germany, and it relies heavily on modular production, which reduces some of the complexity of building finished automobiles. This means that foreign owned plants are still very dependent upon global supply chains to move components for production, unlike U.S. producers. However over time, foreign parts and component supplies also moved into the Southeast to supply the necessary parts. As a result, the associated transportation needs for a single plant are very diverse, as supplies tend to locate were transportation access is fairly close, but not adjacent to the plant in question. For example, the estimated supply network necessary to support the Mercedes Benz plant in Alabama. The plant's supply chain depends upon two ports, TIER 1 suppliers located close to the plant, but still along mostly the interstate, and TIER 2 supplies across the entire region. Such as diverse system clearly means that transportation concerns are critical the plant's operation, and often these transportation flows cross state boundaries. The majority of the finished automobiles leave these plants by rail, which means that rail access is also important in site development criteria.



Mercedes Benz Relationship to Suppliers for Its Auto Production in Alabama

In discussing FDI, transportation needs are often identified as a critical component for any site. Encouraging local agencies to work with carriers and transportation departments earlier during a project's development would better ensure new sites can achieve their full potential. This may result in moving logistics to the top of the economic development list for the region, but also better coordination between Commerce agencies and transportation providers to avoid last second infrastructure projects from placing additional strains on already tight transportation budgets. ■

Driving the Next 20 Years: Creating the New Automotive Industry in the South

The Southern Growth Policy Board held its Annual Chairman's meeting in June 7-8 in Lexington Kentucky. The overall tone of the meeting was very positive about the future of the auto industry in the South, given the previous growth in auto assembly and auto part suppliers. Clearly, the role of the industry has shifted southward along the I-75 and I-65 Corridors, lead by foreign owned domestic production. The majority of the foreign owned production is primarily for the U.S. market, however, the BMW facility in South Carolina is heavily involved in exporting, having recently shipped its one millionth car overseas.

Several discussed the importance of the Southeast to develop and train workers. There remains a need to develop specialized craftsmen, as the autoworker of the future will actually be required to more than simply attach a fender to frame. To develop these workers, the conference highlighted several successful programs that between the auto industry and educational institutions. These ranged from partnering with local universities for advanced research or participating in local training programs at community colleges for skilled line workers.

Clearly, these workers will be important for the mainline assembly jobs, but also the region's auto part supplier industry. Based on the comments during the Governor's panel, the focus on creating and sustaining jobs will remain an important focus regarding the Southern Auto Industry.

Clearly, the auto industry remains in a state of flux, as automakers are seeking to satisfy growing demands for autos in global markets while demand in the advanced countries remains weak. The revolving ownership of the many of the major U.S. and European brands has further complicated the situation.

There were some concerns that the U.S. auto industry will not see the strong growth rates of the 2007 until at least 2012 or beyond. (This mirrors the comments by the Dr. Atling with the Federal Reserve Bank of Atlanta about the U.S. recovery.) Several also mentioned that the market for electric and other alternative fuels will remain a small part of total U.S. sales in the future.

The presentations are posted at http://www.southerngrowth.com/conference/presentations2010.html ■

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

July 7–9, 2010
International Association of Maritime Economics (IAME)
Portugal, Lisbon
http://www.iame.info/conferences.asp

August 16–18, 2010
AASHTO Standing Committee on Water
Mobile, Alabama
Contact Chris Smith at AASHTO
csmith@aashto.org

August 24–26, 2010
Tennessee-Tombigbee Waterway Development Opportunities Conference
Marriott Grand Hotel, Point Clear, AL
www.tenntom.org

August 28 – September 1, 2010
SASHTO Annual Meeting
Little Rock, AR
http://www.sashto.org

September 22, 2010
PIANC USA 2010 Annual Meeting & Tour
Boston, MA
Held in conjunction with the National Waterways Conference 50th Anniversary Meeting (Sept 23-24, 2010). www.waterways.org

Sept 22–24, 2010
12th National Conference on Transportation Planning for Small and Medium-Sized Communities: Tools of the Trade
Williamsburg, Virginia
http://www.trbtoolsofthetrade.org/conference.html

Sept 26–29, 2010
Council of Supply Chain Management Professionals
San Diego, California
http://cscmpconference.org/

October 5–8, 2010
84th Annual International Propeller Club Convention
Marriot Tampa, Florida
http://www.propellerclubtampa.com/index.asp?pageId=50

October 4–6, 2010
Waterways Council Annual Meeting
St. Paul, MN
www.waterwayscouncil.org

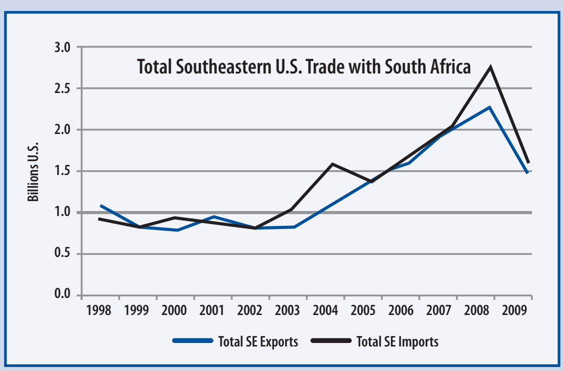
October 19–22, 2010
2010 AMPO Annual Conference
St. Louis, Missouri
http://www.ampo.org/events/details.php?id=53

October 21–22, 2010
International Conference on Intermodal Strategies for Integrating Ports and Hinterlands
Transport Research Institute (TRI),Edinburgh, Scotland
For more information on the call to papers, please contact g.wilmsmeier@napier.ac.uk

TRADE PROFILE …Republic of South Africa

In the aftermath of apartheid the Republic still suffers from high unemployment, as well as outdated infrastructure, that may limit future growth, but it remains the stable country in Sub Sahara Africa and it has emerged on the world's stage as a successful middle income country. The hosting of the FIFA World Cup and other related events have signaled South Africa's transformation.

South Africa is very rich in natural resources, ranking as the world's largest producer of platinum, gold, chromium. Regarding total trade, South Africa exported an estimated $66 billion in goods to the world, with its largest markets being Japan, the U.S., Germany, the United Kingdom, China and the Netherlands. Total imports were also estimated to be $66 billion, with its leading export partners being Germany, China, the U.S., Saudi Arabia and Japan. Like most of the resource exporting nations, South Africa enjoyed strong growth between 2004 and 2008, before world commodity markets collapsed, which hurt their local economy.



For 2009, total U.S. trade with South Africa amounted to $4.5 billion dollars in exports and another $5.9 billion in imports. This represented a sharp decline from 2008 levels (the peak year for U.S.- South African trade) as imports fell from $10 billion and exports declined from $6.5 billion. South Africa is among the largest coal exporting regions of the world, and competes with exports of Appalachian coal.

Total Southeastern trade with South Africa amounted to almost $1.5 billion, represents roughly a third of total U.S. exports to the Republic. While total trade declined in 2009 from 2008 levels, the largest export from the Southeast is industrial machinery followed by assembled vehicles. There was also a large shipment of civilian aircraft parts to South Africa, but this appears to be a onetime transaction.

Total imports from South Arica amounted to over $1.5 billion dollars in 2009, a 42% drop from 2008 levels. Most of the drop was from reduced shipments of ferroalloys, which constituted the largest import commodity from the region (total value declined from $969 million to $255 million.) The second leading commodity, passenger vehicles, also declined from a record level of $818 million in 2008 to only $550 million in 2009. (BMW has a large assembly plant near Pretoria South Africa that produces export autos, which includes the U.S.)

Regionally, the largest gateway ports in the Southeast for trade to South Africa are Charleston, Norfolk, Jacksonville, and New Orleans. The South Atlantic ports benefit from their roles in the Auto trades, while the New Orleans region benefits from trades in metals. ■