

The Economy In Motion

Freight Transportation and Facility Location Decisions

FHWA TALKING FREIGHT SERIES

July 18, 2012

About us

CWS Consulting Group

CWS Consulting is a member of the Investment Consulting Associates Global Network



Locations in:

- North America
- Latin America
- Europe
- Asia

Services:

- Corporate Location Selection
- Incentives Negotiation
- Investment Advisory
- Economic Development

Real estate is a strategic asset. Each and every new location decision carries cost, workforce, and other implications. We provide our clients with the insight needed to quickly build solutions which are flexible enough to evolve with the company's changing needs.

Agenda

The Economy In Motion

Freight Transportation and Facility Location Decisions

- Freight Movement Basics
- Selection of Freight Facility Locations
- Public Sector Role
- Best Practices/Lessons Learned
- NCFRP Report Documents

Logistics and Freight Facilities

Moving Stuff

Logistics:

The detailed coordination of a complex operation involving many people, facilities, or supplies

Freight Facility:

Facilitates the movement of goods and materials from point of origin to point of consumption

- Warehouse and distribution facilities
- Ports, airports, and other intermodal connections
- Manufacturing and industrial sites

Freight Facilities are the transition points in the Logistics Supply Chain



Why Does Freight Matter?

Freight is the lifeblood of the American economy

- Domestic and International Trade
- Raw materials
- Finished products
- Consumer goods



Why Does Freight Matter?

- Over 60 million tons of freight moves through the U.S. freight transportation system daily, representing roughly \$40 billion in goods
- Trade is increasing as a share of US GDP – from 10% to 30% over past 40 years
- Processing of freight and intermediate processing represent economic development opportunities in jobs and investment
- Efficient movement of freight lowers costs, allows the best use of our transportation facilities, protects the environment, and reduce energy requirements



Common Obstacles to Good Freight Transportation Policy

- Lack of regional cohesiveness
- Incomplete understanding of the role of freight facilities in the economy
- Misunderstanding of the community's role in the global/regional/local transportation network
- Lack of coordination among planning, economic development, and transportation agencies
- Lack of public/private coordination



Public and Private Sector Perspectives

The Public and Private Sectors view the world through different lenses; neither sees the full picture

- Neither the public or private sector respondents believe that public officials have an adequate understanding of freight operations or business drivers
- Private respondents have dropped communities who did not plan for transportation infrastructure, or their policies did not adequately accommodate freight facilities
- Three-quarters of private respondents said they would recommend guidance in the form of inventories of industrial sites; tax incentives for freight distribution businesses; industrial rail access programs; and expedited permitting processes.
- 69% of public respondents have encountered compatibility issues in siting freight logistics facilities

NCFRP Project 23
Economic and Transportation Drivers for Siting Freight

Questionnaire to Evaluate Current Public Understanding

BACKGROUND AND PURPOSE
The National Cooperative Freight Research Program (NCFRP), an initiative of the National Academy of Sciences' Transportation Research Board (TRB), is conducting a study entitled Economic and Transportation Drivers for Siting Freight Intermodal and Warehouse Distribution Facilities. The purpose of this study is to develop a guidebook to inform public policy makers about the complex issues surrounding the siting of intermodal freight facilities and distribution centers.

This web-based data collection instrument (DCI) is the first step in helping the public sector understand how private companies make logistics site selection decisions, understand the issues and constraints, and determine how they can more successfully participate in the process. Additional detail on these issues will be obtained through a literature review, stakeholder interviews and case studies of different types of freight logistics facilities over the next few months.

We are separately seeking input from the public sector – economic development staff, elected officials, planners, and private sector stakeholders – to gauge the current understanding of these issues. As a private sector stakeholder (business, trade organization). Your input is very important to the success of this research project and if you would like to suggest a case study for further study or would like to be contacted for a more detailed interview, please indicate that in the questionnaire.

Thank you for taking the time to answer the following questions. Please note that we will not publish any individually identifiable information without the respondent's written permission.

QUESTIONS FOR PRIVATE SECTOR FIRMS, STAKEHOLDERS AND ORGANIZATIONS

1. How important is access to intermodal freight and/or distribution facilities in selecting a community for successful business operations?
 - Very Important
 - Important
 - Neither Important nor Unimportant
 - Unimportant
 - Very Unimportant
2. How important are the public sector zoning and land use policies of a municipality (community, region) as part of the site selection process?
 - Very Important
 - Important
 - Neither Important nor Unimportant
 - Unimportant
 - Very Unimportant

Issues , Challenges and Opportunities for Freight Facilities

- Economic development contribution of freight facilities (to both freight *and* non-freight activities)
- Freight facilities role in intermodal connectivity and encouraging use of non-highway modes for long-haul goods movement
- Land use conflicts and pressures with competing uses and size of facilities
- Coordination among economic development and planning agencies at local, regional and state levels
- Private sector typically drives site selection and participation is a requirement for success

What is a Freight Facility?

- **Distribution Centers**
- **Ports**
- **Intermodal Terminals**
- **Bulk or Transload Terminal**
- **Hub Terminals**
- **City Terminals**
- **Integrated Logistics Centers**

Facility Placement & Priorities

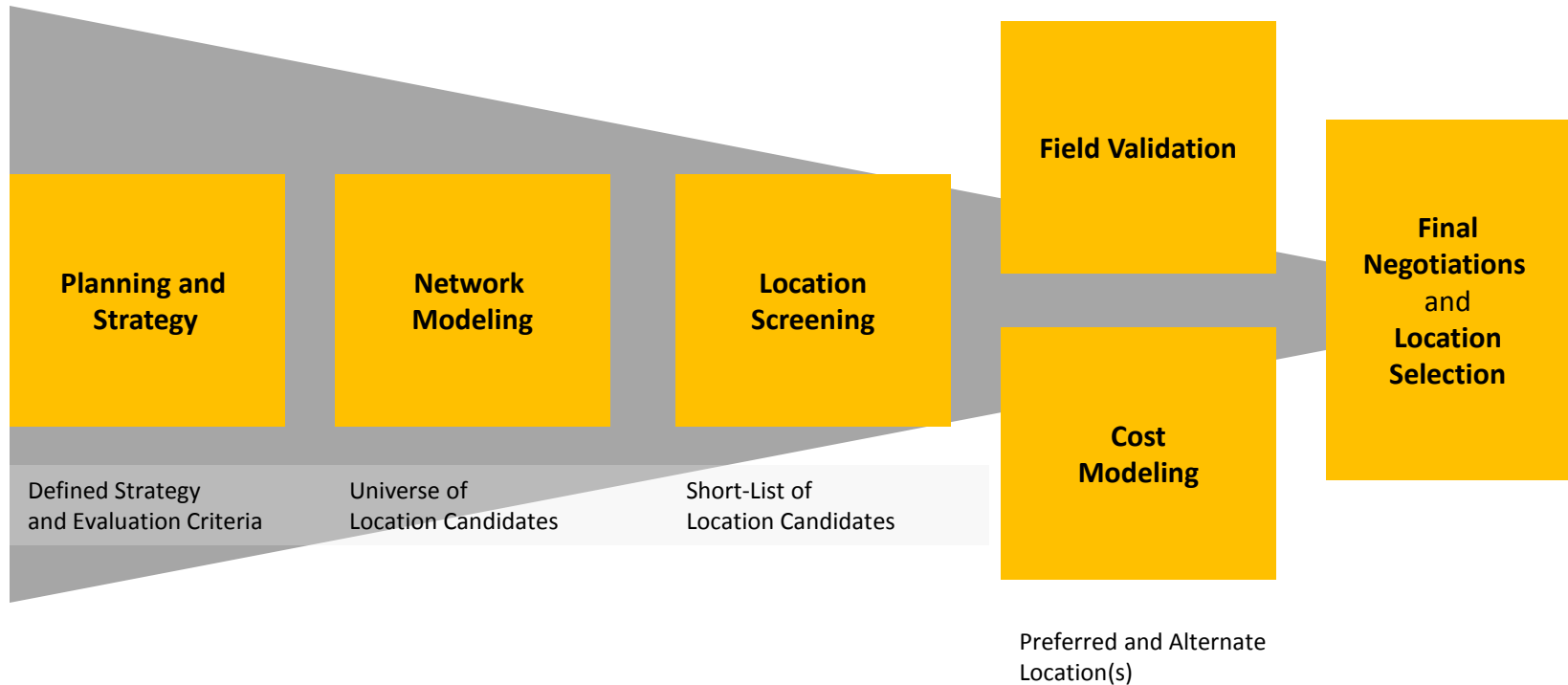
Freight Facilities site selection is overwhelmingly made by the private sector

- Locations fit in a network fulfilling a business process
- Network optimizes business drivers to serve a market franchise
- ➔ Location process is expression of network strategy



Location Process

*The Location Process allows for progressive testing and narrowing of alternatives based on **business** drivers*



Key Location Criteria

Ability to Access Key Markets or Customers

Interaction with Transportation Network

Labor and Workforce

Total Cost Environment

Availability and Cost of Suitable Facilities

Utilities

Permitting and Regulation

Tax Environment

Public Sector Assistance and Incentives

Climate and Natural Hazards

*Increasing
degree of
importance*

Site Selection Factors by Facility Type

LOCATION CRITERIA	TYPE OF LOGISTICS FACILITY						
	Distribution Center	Port	Intermodal Terminal	Transload Terminal	ILC	Hub Terminal	City Terminal
Ability to Access Key Markets or Customers	●	◐	●	●	●	◐	●
Interaction with Transportation Network	●	●	●	●	●	●	●
Labor and Workforce	◐	●	◐	◐	◐	◐	◐
Total Cost Environment	◐	●	◐	◐	◐	●	◐
Availability and Cost of Suitable Facilities	○	○	○	◐	○	◐	●
Utilities	○	○	○	○	◐	○	○
Permitting and Regulation	○	○	◐	◐	○	○	○
Tax Environment	○	◐	○	○	○	○	○
Public Sector Assistance and Incentives	○	○	○	○	◐	○	○
Climate and Natural Hazards	○	◐	○	○	○	◐	○

Key

Priority of Criteria:



Primary Factor



Important Factor



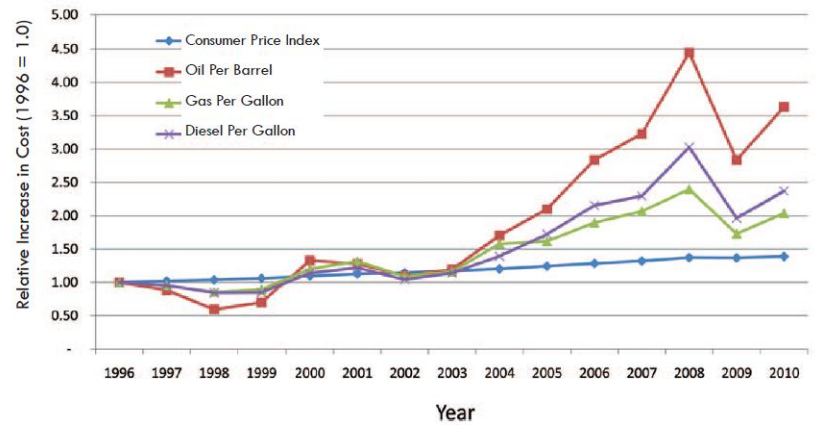
Lesser Factor

...and These Factors can Change

Logistics is (by its nature) a dynamic field. Several factors are currently making companies re-think their facility strategies

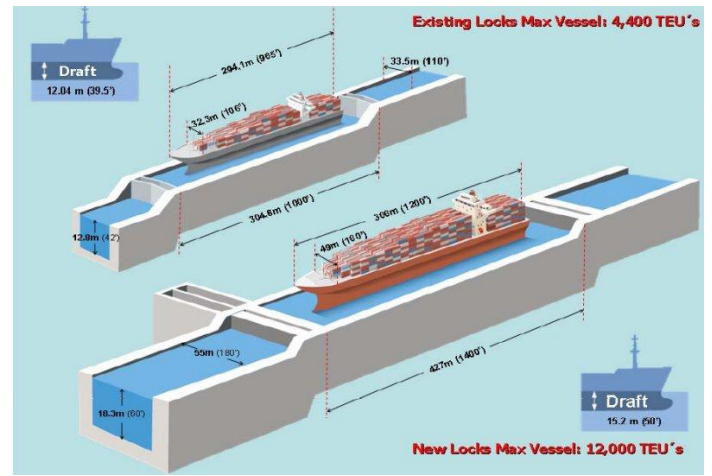
Global factors

- Trade patterns
- Price of oil
- Global facilities (e.g., adding the third, wider channel to the Panama Canal)



Trends

- Just in time delivery
- Sustainability
- Carbon footprint concerns



Public Sector Goals

Development in concert with community vision....

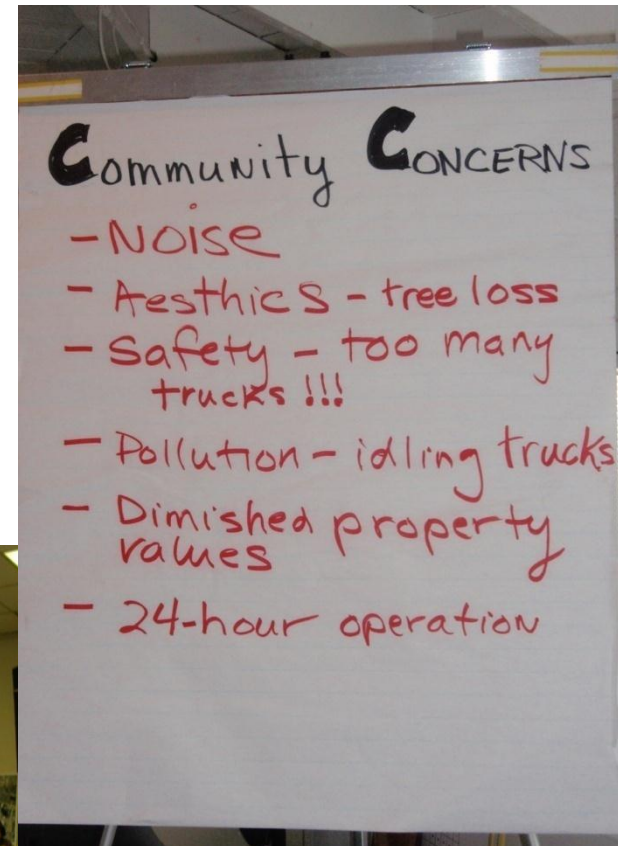
Accrue Public Benefit

- Revenues
- Jobs



Avoid, Minimize or Mitigate Impact

- Transportation
- Environmental
- Cost
- Controversy



Public Sector Strategy

Learn More About Logistics

- Understanding of freight location drivers = ability to plan effectively
- Understanding of community outcomes (both positive and negative) can lead to higher quality decisions
- Questions to ask
 - Where does my community lie within the freight network?
 - Which facility types and functions best match the location and characteristics of my community?
 - What strengths does my community have that help give us a competitive edge?
 - What are the benefits and costs?

Communicate

- Develop regional and local dialogue on the role of freight in planning, and economic development
- Educate and engage residents and the business community on costs, benefits, and goals for freight development



Public Sector Strategy

Plan!!!

- **Ensure strongly held and understood vision for local/regional development and strategies to convert that vision into reality**
- Coordinate economic development, land use, transportation planning
- Identify appropriate sites and areas for freight facility development
- Build effective zoning, regulatory and incentive policies



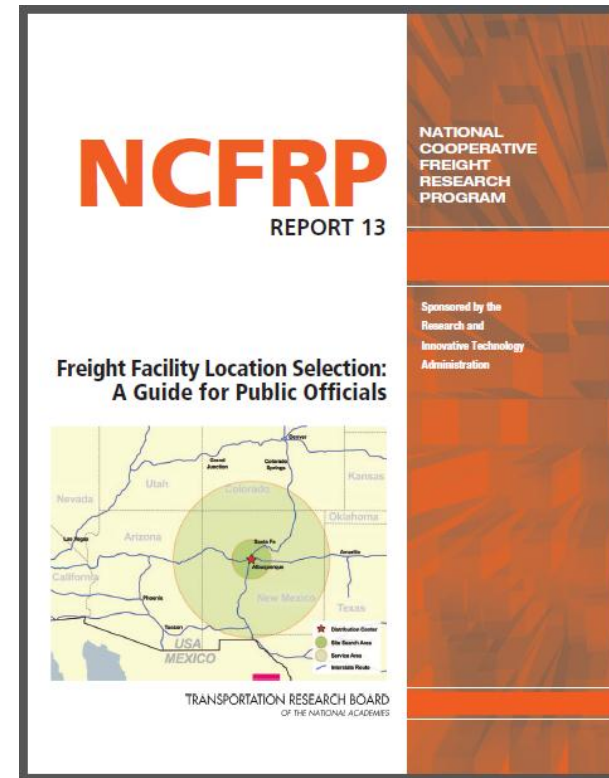
“Build it and they will come” is not an effective strategy



Bridging the Gap Between Private and Public

NCFRP Report 13 – Economic and Transportation Drivers Impacting Location Decisions

- Inform the public sector about the complexity of the various facility types and the role they play
- Inform public-sector planners and decision makers about key criteria that the private sector considers when siting logistics facilities,
- Enhance the potential for successful projects.
 - Bring benefit to the community
 - Avoid impact to community
 - Serve private sector needs



THANK YOU

NCFRP 23/Report 13 Website
www.freightlocation.org

Christopher Steele

Chris.Steele@cwsgrp.com

Telephone: 617-314-6527



www.cwsgrp.com

www.locationselector.com

www.icaincentives.com