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Inland port savings

By Richard S. Allen



During the past 40 years, the United States has enjoyed unprecedented growth in global trade volume with established and emerging trade partners. This increase in the shipment of manufactured goods and raw materials has played a central role in the growth of international

trade and economic globalization, forcing the U.S. to seek faster and more efficient ways to move goods throughout the country. One of the most promising solutions is the development of inland ports.

In 1970, U.S. foreign trade volume totaled \$84 billion for the entire year. In 2008, U.S. foreign trade volume surpassed \$84 billion in the first 10 days of the year. In 2007, international trade accounted for nearly 25 percent of U.S. gross domestic product. Conversely, domestic production of manufactured goods decreased from 24 percent of our GDP in 1969 to less than 10 percent by 2007. These statistics demonstrate international trade's role in transforming the U.S. into a service-based economy that sources products from countries where they can be produced more economically.

While Canada remains the United States' largest trading partner, the Pacific Rim region, whose countries offer inexpensive labor and goods, has become the top source of U.S. imports. More than \$600 billion of the \$1.9 trillion of total U.S. imports

is shipped from Asia, a 91 percent increase over the past decade.

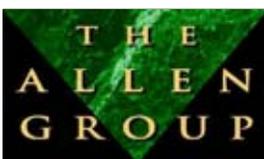
The process of sourcing, handling and transporting goods between raw material suppliers, manufacturers, retailers and consumers across the world is remarkable in both its scale and sophistication.

Heitman, a real estate investment management firm, says an inland port is characterized by seven key attributes: access to a major container seaport, an intermodal facility served by a Class I railroad, at least 1,000 acres of total land, foreign trade zone status, access to a local metropolitan market, accessibility to major interstate highways, and access to a strong local labor pool.

Organizations such as the Texas Transportation Institute and the Center for Transportation Research at the University of Texas define an inland port as any site meeting the above criteria that is located away from traditional land, air and coastal borders.

Inland ports facilitate and process international trade through strategic investment in multimodal transportation assets and by promoting value-added services as goods move through the supply chain. They facilitate the movement of large volumes of goods from congested seaports to major population centers. More than 65 percent of containerized freight arriving at West Coast seaports is consumed by markets east of the Mississippi River.

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U.S. cargo volumes are projected to triple over the next 20 years, and by 2020 every major U.S. container port will see its total traffic volume double. Cargo traffic at West Coast ports is projected to grow at an average rate of 5 to 9 percent per year. This growth is straining existing port infrastructure and creating serious bottlenecks in the flow of imported goods.

Seaports such as LA-Long Beach have little room for expansion. The high costs of real estate, safety, pollution and increasing traffic congestion make it apparent that imported goods can no longer be efficiently processed in the immediate vicinity of their port of entry. Much import cargo is transferred directly from ships to railcars at the docks and transported to inland ports for further processing.

As demand for imports overloads capacity at U.S. seaports, the nation's leading industrial development companies are recognizing that a wider national solution is urgently needed.

U.S. Class 1 railroads recognize the constraints facing the ports and are investing billions of dollars annually to increase the capacity of primary rail corridors.

This will make it easier for import shipments to be delivered by dedicated stack trains from crowded seaports to new inland ports where cargo can be transferred from rail to truck for the final leg of the delivery.

This creates substantial opportunities for savings. For example, let's compare two companies seeking the optimal location for a million-square foot distribution facility that receives 15,000 containers per year. Company A locates within an inland port next to an existing intermodal facility, while Company B locates at a site 40 miles from the intermodal terminal. Company A will spend \$1.1 million in drayage costs per year compared to Company B, which will spend \$2.6 million.

As U.S. demand for imported goods increases in the years ahead, the importance of inland ports will continue to grow, especially those located at the intersection of multiple shipping routes with several modes of transportation.

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