

NEVADA INLAND PORTS VIABILITY & FUNDING STUDY

2012

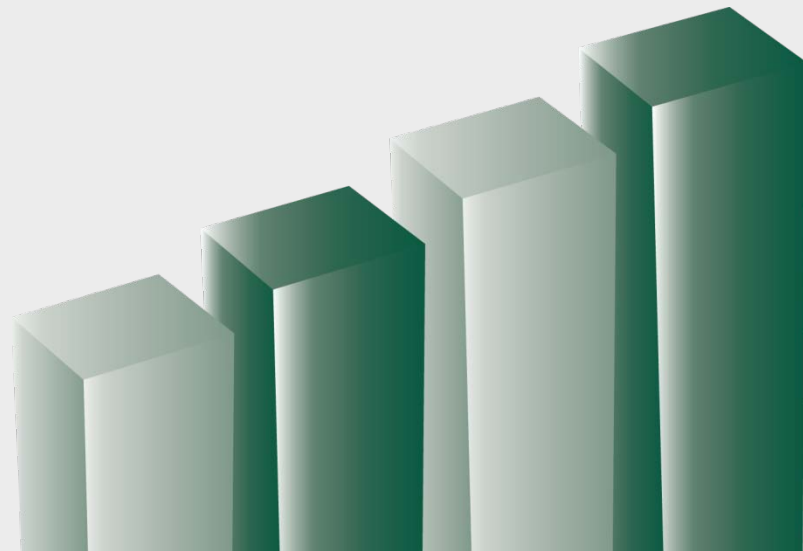


**ROG
ECONOMICS**

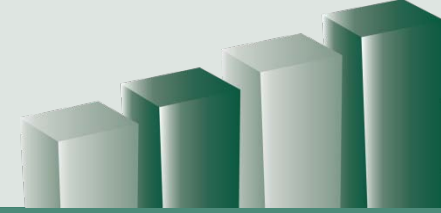
DR. ALAN SCHLOTTMANN

SPATIAL ECONOMIC CONCEPTS

Introduction & Background

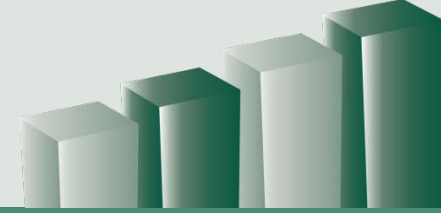


Introduction



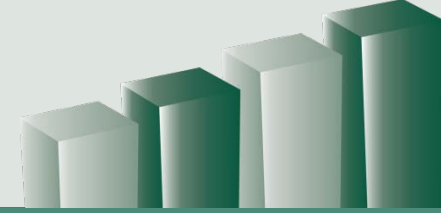
- ▶ Nevada legislature, in 2011 session, enacted AB182.
 - ❑ *Specifically, Assembly Bill No. 182 related to creation of inland ports in State of Nevada.*
 - ❑ *Brookings Report/SRI went on to say logistics cluster had potential to create 11,000 jobs in state over next 5 years.*

- ▶ Purpose
 - ❑ *State of Nevada-GOED issued a RFP in February 2012 for an Inland Ports Study. Purpose: Determine viability of developing inland ports in Nevada to enhance trade & job creation.*



- ❑ *RFP called for a two-part study:*
 - ❑ **Part 1 - Survey of public & private sectors. Each group to be polled & ideas solicited for features that would be desirable & necessary to make creation of inland port(s) in Nevada viable.**
 - ❑ **Part 2 - An assessment of potential public & private funding sources for use in developing inland ports in state.**

Inland Ports, Definition & Purpose



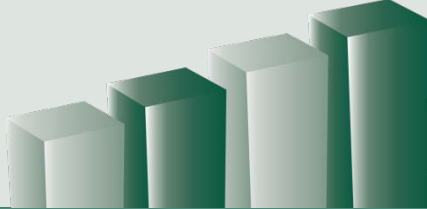
► What is an Inland Port?

- ❑ *“A rail or large terminal that is linked to a maritime terminal with regular inland transport services. An inland port has a level of integration with the maritime terminal & supports a more efficient access to the inland market both for inbound & outbound traffic.”*

► Inland Port Purpose

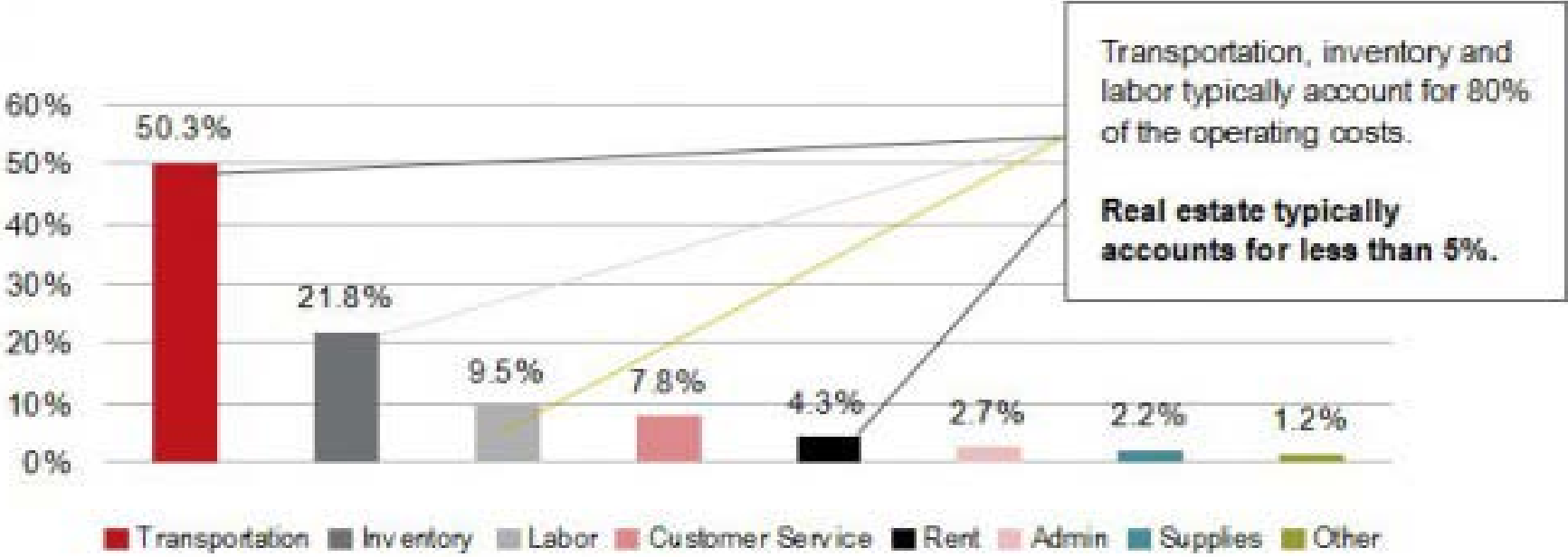
- ❑ *“An inland port must permit economies of scale in inland distribution by being able to handle larger volumes at a lower unit cost. Otherwise, direct services from the maritime terminal are a better option.”*

Logistics Cost Breakdown



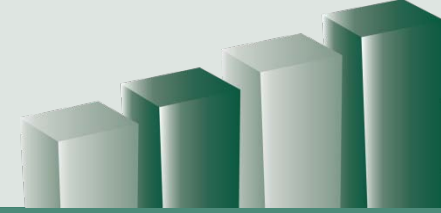
Supply chain cost breakdown (Diesel Fuel @ \$4.00/gallon)

Understanding the total cost picture is important to maximizing value



Source: Herbert W. David & Company; Logistics Cost & Service Report

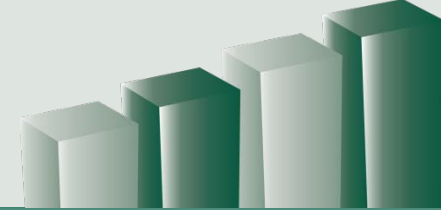
Attributes Of An Inland Port



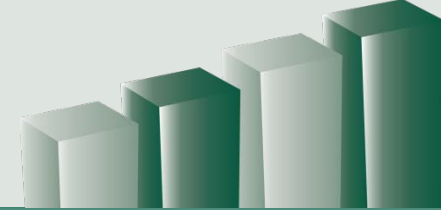
▶ An Inland Port 7 key attributes:

- ❑ *Access to major container seaport.*
- ❑ *Intermodal facility serviced by Class I railroad.*
- ❑ *Minimum of 1,000 acres.*
- ❑ *Foreign Trade Zone status.*
- ❑ *Strong local market access (e.g., near a major metropolitan area).*
- ❑ *Nearby access to north/south & east/west interstate highways.*
- ❑ *Access to a strong local labor pool.*

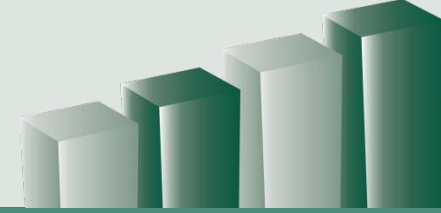
US Rail Network



US Interstate Highway System

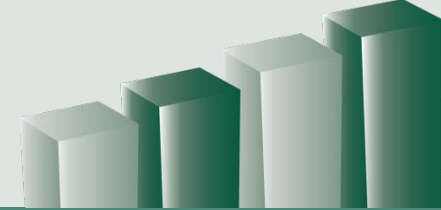


A Question of Ideas & Information

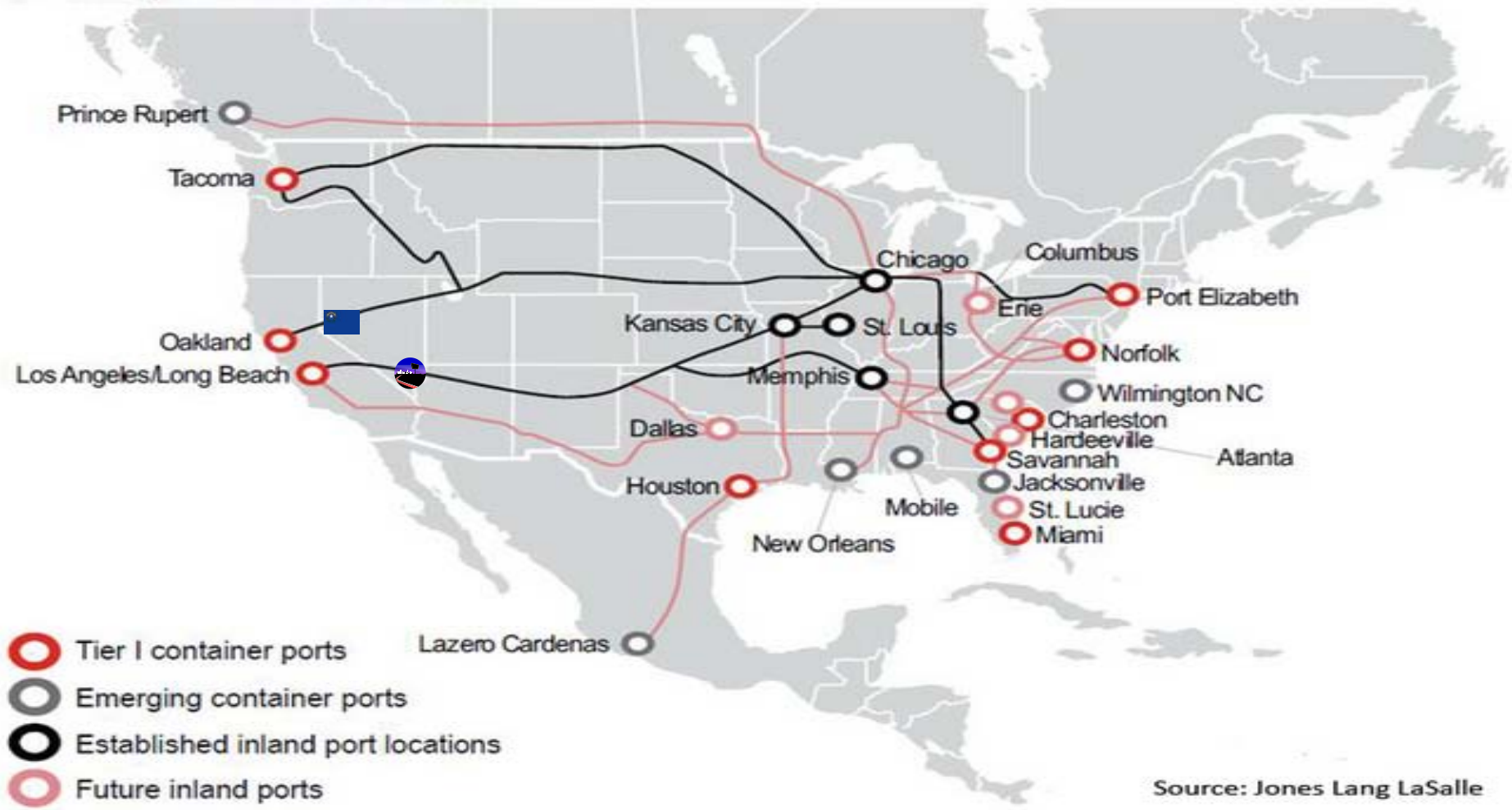


- ▶ **Transportation cannot just be defined as movement of people & goods as it was in the past.**
- ▶ **Future global economic success comes with an understanding that transportation also consists of ideas & information.**
- ▶ **Consequently, two more key attributes can be added for a modern inland port.**
 - ❑ *Information technology infrastructure.*
 - ❑ *Willing political structure (quintessential public/private partnership).*

Inland Port Connections

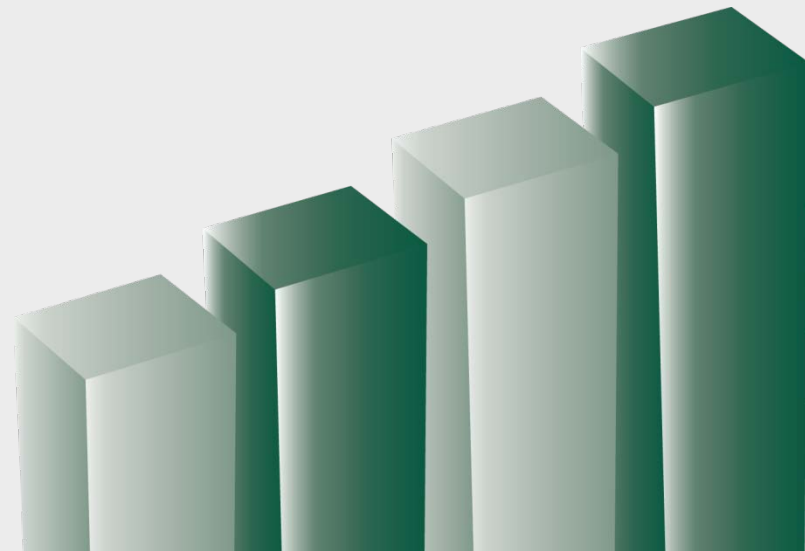


Inland port connections

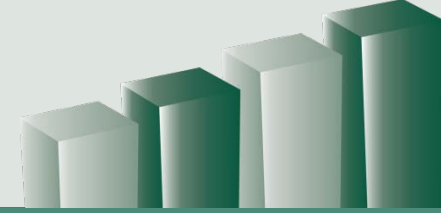


Source: Jones Lang LaSalle

Conclusions & Recommendations



Conclusions & Recommendations



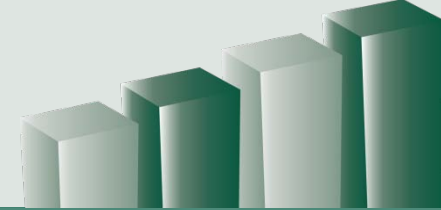
► Demand

- ❑ *Basis for any business venture is to address market need/demand.*
- ❑ *Without this demand, no reasonable amount of government support or financial incentive will lead to long-term sustainable business activity; essential to attract private sector capital investment & employment creation.*

► Capacity

- ❑ *For rail to be cost-effective it must move at least 500-600 miles or cost of loading & unloading trains makes trucks a more effective mode of transportation.*
- ❑ *Paradoxically, Las Vegas & Reno are both too far from California ports to make trucking containers from those areas feasible as well.*
- ❑ *There are many attributes in Nevada that can prove to be strong magnets to sub-groups within larger supply-chain cluster.*

Logistics/Distribution Centers: Background for Nevada Policymakers



▶ The Supply Chain (Logistics):

- ❑ *A focus on Niched “Low hanging fruit” can provide Nevada with way to attract focused attention of corporate America on state.*
- ❑ *Logistics can allow Nevada to showcase its commercially oriented attributes, both in terms of geographical location & political commitment.*
- ❑ *Nevada must be thought of as a place from which to primarily serve the Western Region & secondarily, serve the Pacific Rim.*

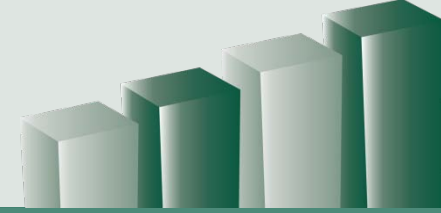
▶ Workforce:

- ❑ *Nevada has a workforce with experience in specific occupations that can support future nich supply-chain development in Nevada.*

▶ Nevada Freight Overview:

- ▶ *While rail will remain an important component of Nevada’s logistics infrastructure network, rapid growth in trucking, especially air will drive future of logistics in Nevada.*

Conclusions & Recommendations

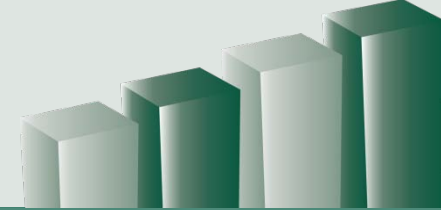


► Economics

- ❑ *GOED should consider revamping its 7 key clusters by combining manufacturing & logistics into a single supply chain strategy.*
- ❑ *According to interview respondents, e-commerce is the fastest growing segment of retail sector with a very strong growth potential.*
- ❑ *Most important factors for e-commerce: Strong telecom network & low tax environment that Nevada offers.*
- ❑ *Fulfillment & reverse logistics centers should be the focus. Generally require more labor skills than typical warehouse operations, because of personalized nature of distribution process.*

Conclusions & Recommendations

Near-Term

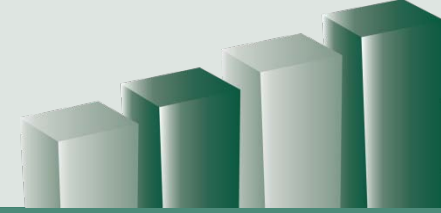


► Task Forces

- ❑ *To provide for a synergy of ideas & shared information, 2 task forces should be established in next several months & be initially comprised of companies directly involved in manufacturing & distribution of product.*
- ❑ *Priority Recommendation: Create Northern Nevada & Southern Nevada “logistics/supply chain task forces”.*
- ❑ *Reality: Economic spheres of influence, transportation systems, workforce composition & culture identity are unique enough that one size does not fit all in Nevada’s supply chain industry.*
- ❑ *Most fundamental objective in establishment of these task forces is to instill motivation within each individual member.*

Conclusions & Recommendations

Near-Term



❑ Potential Site Identification

Important: During next year potential logistics center sites of 1,000 acres or more around state should be identified & prioritized, & kept initially confidential.

❑ Transportation Requirements

Even more critical to future growth of Reno-Carson City area is construction of a designated “Truck Route” interstate bypass around Downtown Reno.

❑ Target Markets

❑ Regulatory Requirements

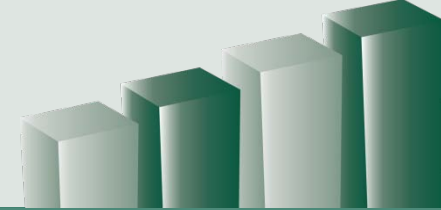
For process to work, open communication between public & private sectors is most important.

❑ Funding Requirements

Without a dedicated funding source, like Leisure & Hospitality Industry’s room tax, any advances in economic development & diversification will be less effective & sustainable over long-term.

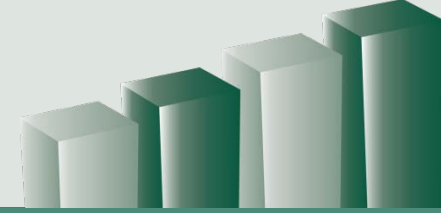
Conclusions & Recommendations

Long-Term

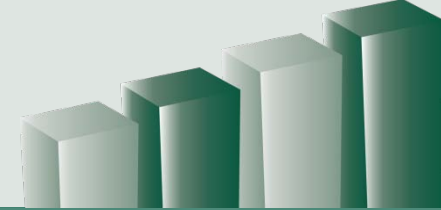


- ▶ Nevada must develop a comprehensive understanding of what its future infrastructure needs are, based on strategies developed focuses on attracting key supply chain specialty sub-clusters.
- ▶ Nevada must focus on a just few sub-clusters like fulfillment & reverse logistics space.
- ▶ Within these sub-clusters, a further focus should be on low-weight, high value-added products like electronics. The state's two main airports are key.
- ▶ A priority should be placed in using workforce training dollars to develop the necessary worker skills.

Final Thoughts: The Market



- ▶ **“Supply chain cluster”** has already taken root on its own due to market factors outlined in the Inland Port report.
- ▶ Report will be posted on: www.rcg1.com website.
- ▶ With a concerted effort & a focus of public & private sector resources, a niched supply chain cluster can become a major cylinder in Nevada’s economic development engine.



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