



Georgia Statewide Freight & Logistics Plan

November 2010

Private Sector Advisory Group Convenes to Discuss Opportunities and Challenges for Freight and Logistics in Georgia

On September 15, 2010, a group of business leaders from Georgia met at the State Capitol to add their voice to development of the Statewide Freight and Logistics Plan. The group, known as the Private Sector Advisory Committee, is comprised of representatives from companies and authorities key to Georgia's freight and logistics, including Delta Airlines, Coca-Cola, The Home Depot, UPS, Hartsfield-Jackson International Airport, and the Georgia Port Authority. Committee members identified what they believed to be strengths and weaknesses, as well as key issues for the future freight and logistics in Georgia.



Strengths	<ul style="list-style-type: none"> • Georgia's "corner store" location • Rapid growth of the Port of Savannah • Global connectivity provided by the Hartsfield Jackson International Airport
Weaknesses	<ul style="list-style-type: none"> • While freight and logistics have the potential to be great assets to drive Georgia's economic growth, the public and many key decision-makers are unaware of this potential.
Key Issues for the Future	<ul style="list-style-type: none"> • Expansion of the Panama Canal has the potential to change the competitive landscape for global trade.

The Committee will continue to evaluate the progress of the Georgia Statewide Freight and Logistics Plan and will provide their input over the course of the study. Their next meeting is planned for early 2011.

Making the Business Case for Freight and Logistics Investment



It is entirely reasonable to ask the question: Why should Georgia invest in the freight and logistics industry? What makes freight and logistics stand out as a good investment? The answer forms the basis of a business case for freight and logistics investment.

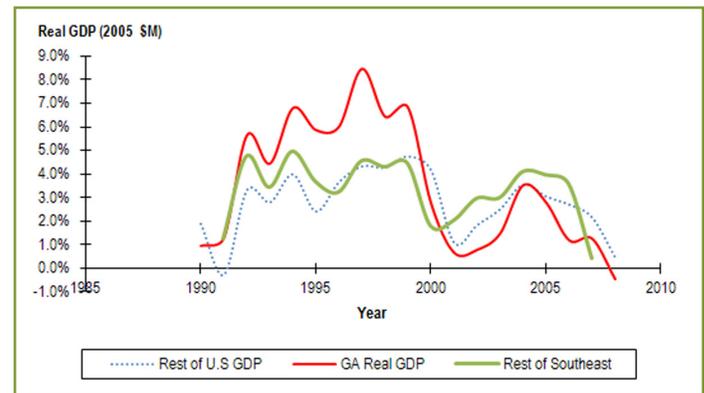
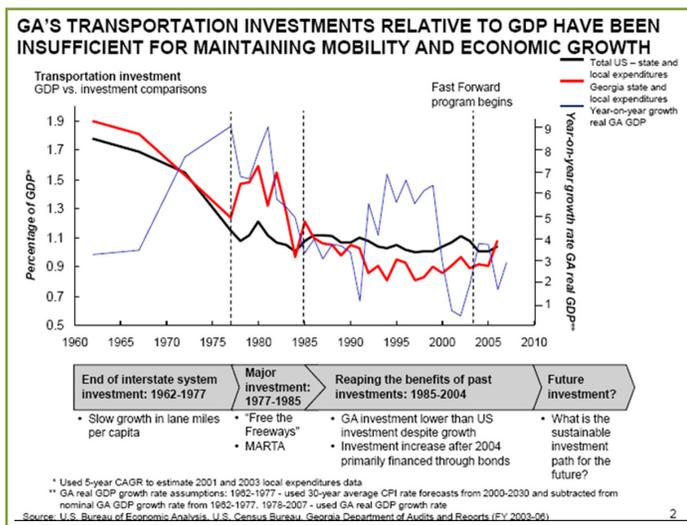
Freight-related sectors of the economy have been strong indicators for overall economic performance in the State of Georgia, and the performance of Georgia's freight-related economic sectors has mirrored the overall economy over the last 20 years.



Georgia's world-class freight transportation assets have been critical to the State's economic growth.

Given this strong relationship between freight/logistics and the overall economy, there is a strong argument to be made for increasing investment in freight infrastructure. The Georgia Statewide Freight and Logistics Plan uses four themes to make this case.

From 1960 to 1985, Georgia led the nation in transportation infrastructure investment. During that period, Georgia's investment in freight-related transportation assets included: significant expansion and emergence of Atlanta airport as a national and international hub for passenger and cargo traffic; ascension of the Port of Savannah as the fastest-growing port in the U.S.; construction of an extensive Interstate System, and development of the largest rail network in the Southeast. This higher than average investment in the freight transportation system was a key factor in the rapid economic expansion experienced by the State in the 1970s, 1980s, and 1990s.



In the late 1980s and beyond, transportation investment in Georgia was lower than that of the country as a whole. While Georgia's economy grew faster than other states in the Southeast and the rest of the United States through the 1990s, this concurrent underinvestment in transportation manifested as underperformance of the Georgia economy in the post-2000 period. During the recent decade, Georgia dropped behind the States of North Carolina and Kentucky in terms of economic growth.

The performance of Georgia's freight-related economic sectors has mirrored this same 20-year economic pattern. Between 1990 and 1997, Georgia's freight-related sectors grew more rapidly than they did in other states on the southeast and in the country as a whole. However, between 1998 and 2007, Georgia's freight-related sectors underperformed both the southeast and the United States.

In recent years, there has been a decline in freight asset investment, and Georgia has been "coasting" on past successes while the economy has been underperforming.

This drop in economic performance reinforces the notion of the critical importance of freight-related sectors to the Georgia economy, and implies that investment in the transportation assets that matter to freight transportation would lead not only to growth in the freight-related sectors of the economy, but to growth in the overall state economy.

For highways, investment slowed rapidly after 1985. This decreased investment, as well as continued population growth, created a legacy of congestion, particularly in the Atlanta metropolitan area. There is a negative impact of congestion on freight-related





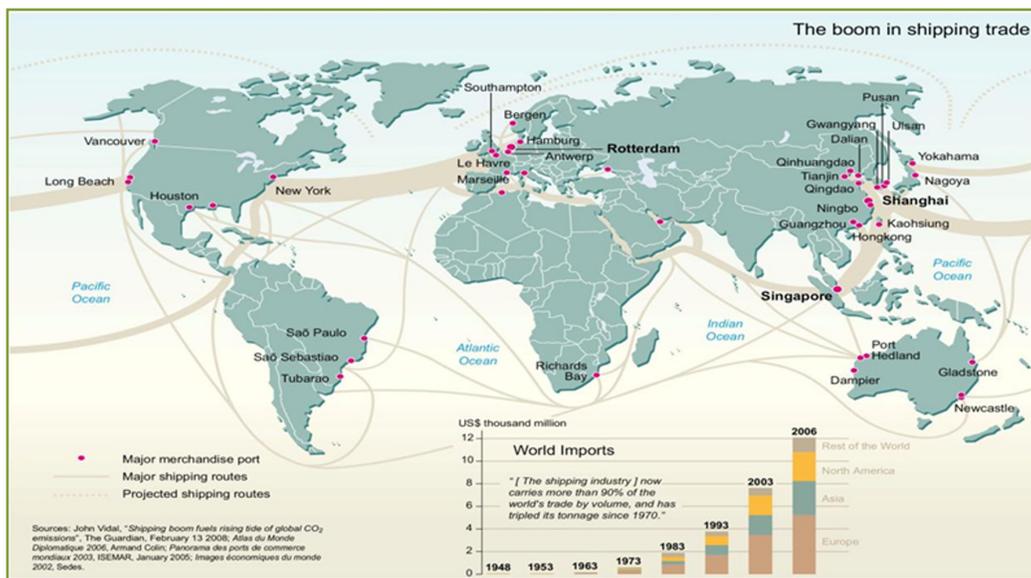
economic sectors. Congestion causes delay and delay adds to cost. Because it takes longer and costs are higher for shipping goods, prices go up and Georgia's competitive position is diminished. When costs are reduced, there are lower costs for goods movement, which allows for lower prices, higher quantities of goods shipped, increased profits, and stronger economic well-being.

With major shifts currently underway in freight and logistics, continued underinvestment in freight transportation assets will jeopardize Georgia's role as freight hub of the Southeast.

At present, there are radical shifts happening in each of the freight modes (highway, rail, marine, and air) that will impact goods movement in the future. These shifts are occurring due to ongoing changes in the global economy, technological improvements, and increased concern about the impact of freight on the environment.

There currently are three major marine cargo trade lanes that impact global trade with the United States. The first is the marine cargo trade between Europe and the U.S. east coast. The second is the marine cargo trade between Asia and the U.S. west coast. The third is the marine cargo between Asia and the U.S. east coast traveling through the Panama Canal.

The Panama Canal is undergoing a large-scale expansion that will allow for much larger ships to pass through its locks; this project represents a very significant change to global trade. The \$5 billion expansion program is scheduled to be completed in 2014, and will create tremendous cost advantages for shipliners that utilize the Panama Canal.



Source: Institute of Trade and Transportation Statistics presentation to FHWA Talking Freight Seminar, February 2010.

While the growth in traffic from the Panama Canal promises to be significant, the actual growth from Panama Canal expansion will depend on the actions and reactions of all the players involved in the current intermodal international shipping global supply chain. For the State of Georgia, this opportunity puts the spotlight on the Port of Savannah.

The Port of Savannah is in a very strong competitive position to capture a large portion of the growth projected to come through the Panama Canal. Over the past two decades, Savannah has successfully captured the warehouse and distribution traffic for many large retailers. Savannah has significant landside capacity enabling it to add more warehouse and distribution centers in land that is already owned by the Port. Savannah has also shown its competitive strength relative to other ports in the United States by being the fastest growing port in the country.





However, there are some challenges. The new, larger ships require deeper water in the harbors. For planning purposes, harbor depth should be 50 feet, even at low tide. The only ports that currently have this feature are Los Angeles/Long Beach, Oakland, and Seattle, all on the U.S. west coast. Relative to water depth at other east coast ports, Savannah's existing water depth (42 feet) places them in the middle of the pack. There is presently intense competition among the east coast ports to get as close to 50 feet as possible since the winners of the race will be most competitive in capturing large portions of the growth in traffic from Panama Canal expansion.

The successful completion of dredging in the Savannah Harbor will be a critical step in the continued leadership by the Port of Savannah in terms of container growth and delivering cost savings and logistics advantages for companies in Georgia that are importing and exporting goods. It will also create additional opportunities to attract new business to Georgia and will create jobs in the State to allow for handling of an increased volume of containers at the port and delivering the good to points further inland.

The total economic impact from changes in the cost of congestion for a region can be calculated using at least two different methods. The Regional Economic Modeling Inc (REMI) economic model calculates economic benefits based on the impact of reducing the dollar amount spent on transportation for each industry. This cost reduction translates to lower costs for each industry which, therefore, allows for lower prices, higher quantities of goods shipped, and increased profits. The REMI model was operated for the State of Georgia and examined the impacts of a 0.5 percent annual decline in the cost of congestion over 30 years. This would result in \$16 billion of economic output and 188,000 jobs between 2011 and 2040. Of this total benefit, 44 percent of the economic output and 15 percent of the jobs would be in freight-related sectors.

By regaining its competitive advantage, Georgia will position itself to capture several billion dollars of additional GDP growth over the next 30 years.

Another way to look at economic benefits is to assume that Georgia can take strategic actions related to infrastructure investment. These actions will allow it to recapture its historical market share of freight-related sectors in the Southeast Region. The Southeast as a region remains poised to capture a significant portion of the nation's growth as population continues to increase at a faster pace than the rest of the country and companies continue to relocate to the region to take advantage of lower operating costs and salaries than other regions.

The question that lies before Georgia is whether it will continue its downward trajectory, will it remain where it is today, or will it return to its position of leadership in the southeastern economy. The answer to this question will determine its potential growth.

The stakes are high. By regaining its competitive advantage, Georgia can position itself to capture several billion dollars of additional GDP growth over the next 30 years.

Next Steps



With the business case for investment in freight and logistics established, over the next few months, the Georgia Statewide Freight and Logistics Plan will focus on developing modal profiles for each of the major freight modes: truck, rail, water, and air. These modal profiles will include descriptions of the modal infrastructure, modal growth forecasts, demand characteristics, and issues/needs for each mode looking out to the 2050 horizon.

For more information on the Georgia Freight and Logistics plan, please visit the following link:

<http://www.dot.state.ga.us/informationcenter/programs/georgiafreight/logisticsplan/Pages/default.aspx>.

