

What Can Freight Do For You?

Positioning Minnesota for Global Competitiveness

presented to

Minnesota Statewide Freight Summit

presented by

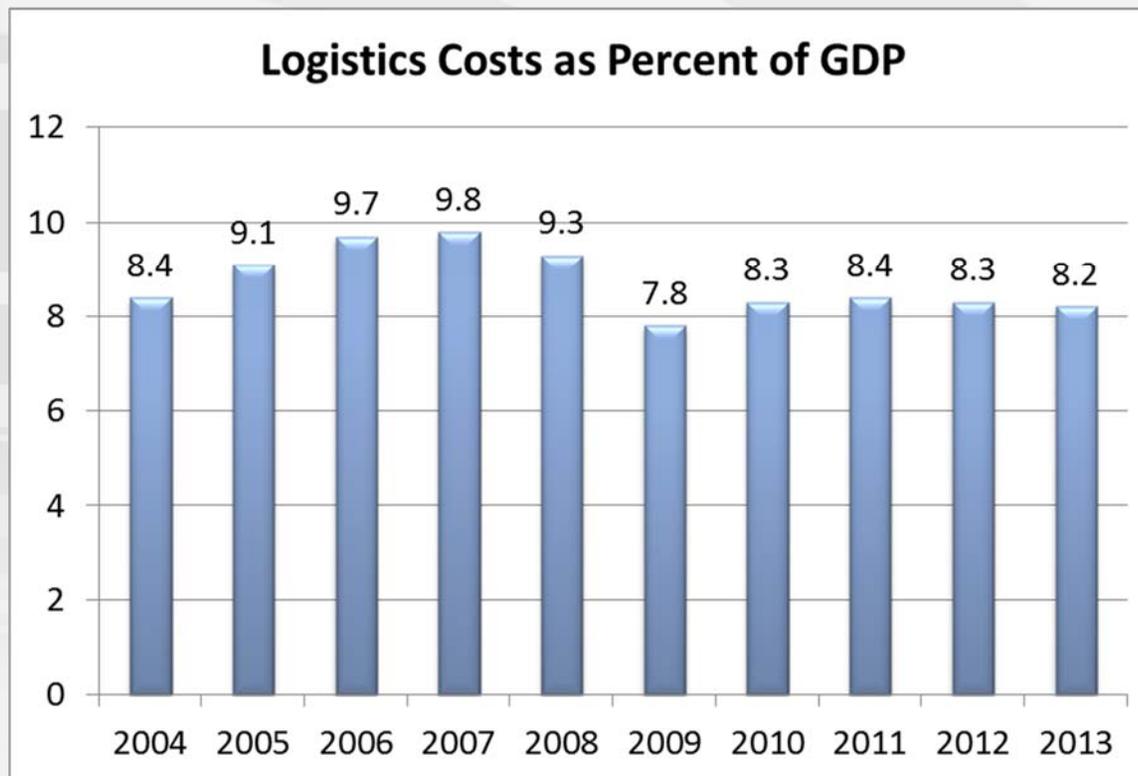
Cambridge Systematics, Inc.

Paula Dowell, PhD

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Importance of Freight and Logistics



- US Firms spent \$1.39 Trillion on logistics costs in 2013
- Carrying costs up 2.8% over 2012
- Transport costs up 2.0% over 2012
- Total logistics costs up 2.3%

Major Trends Impacting Freight Flows

Logistics

- Changes in sourcing patterns and distribution networks
- Energy availability and costs

Economic

- Socio-demographic changes
- Continued globalization

Policy

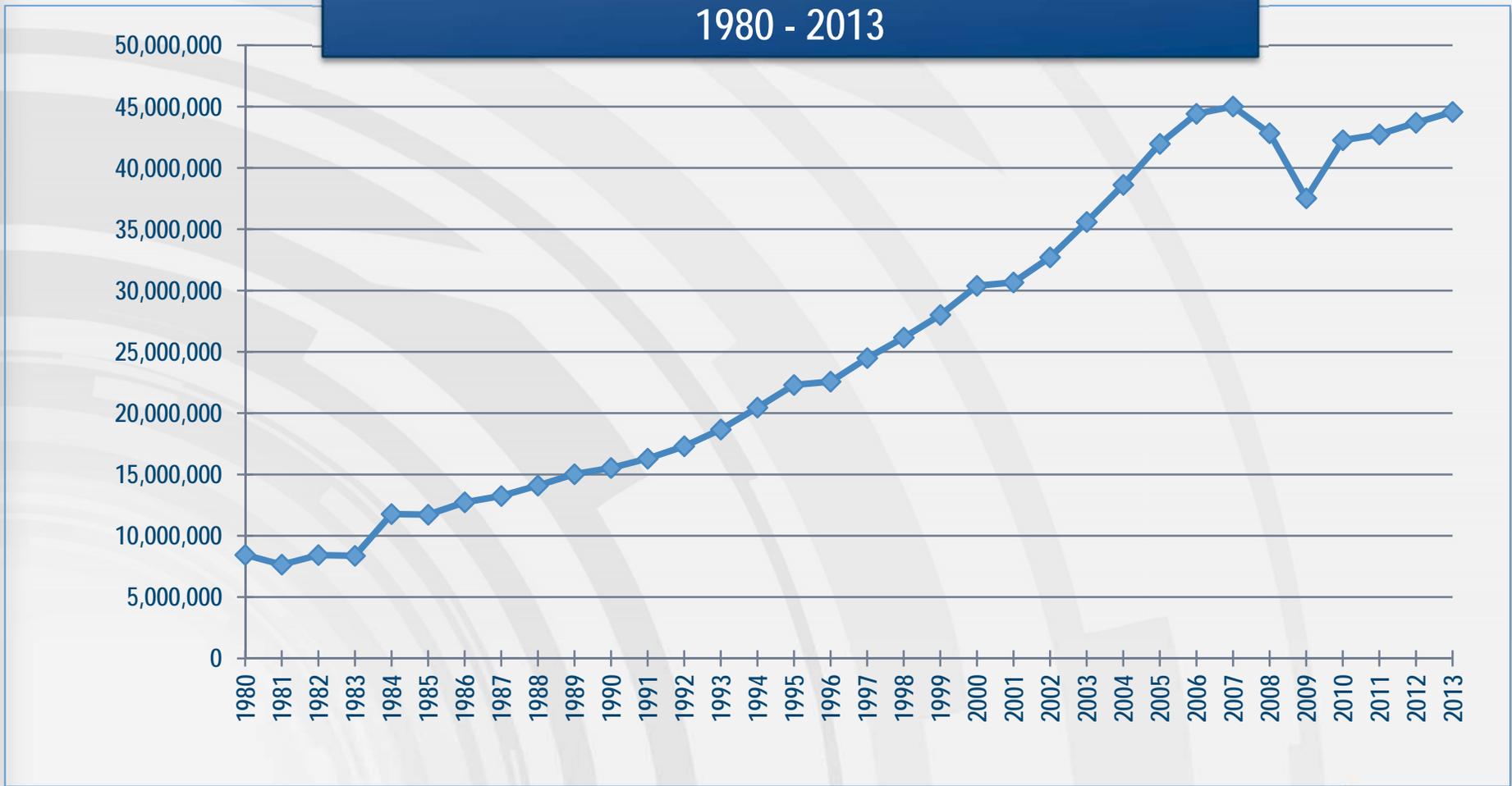
- Regulations – trucking and security
- Energy policy

Infrastructure

- Passenger/freight interaction
- Increase use of intermodal
- Mode specific constraints impact whole system

Continued Globalization

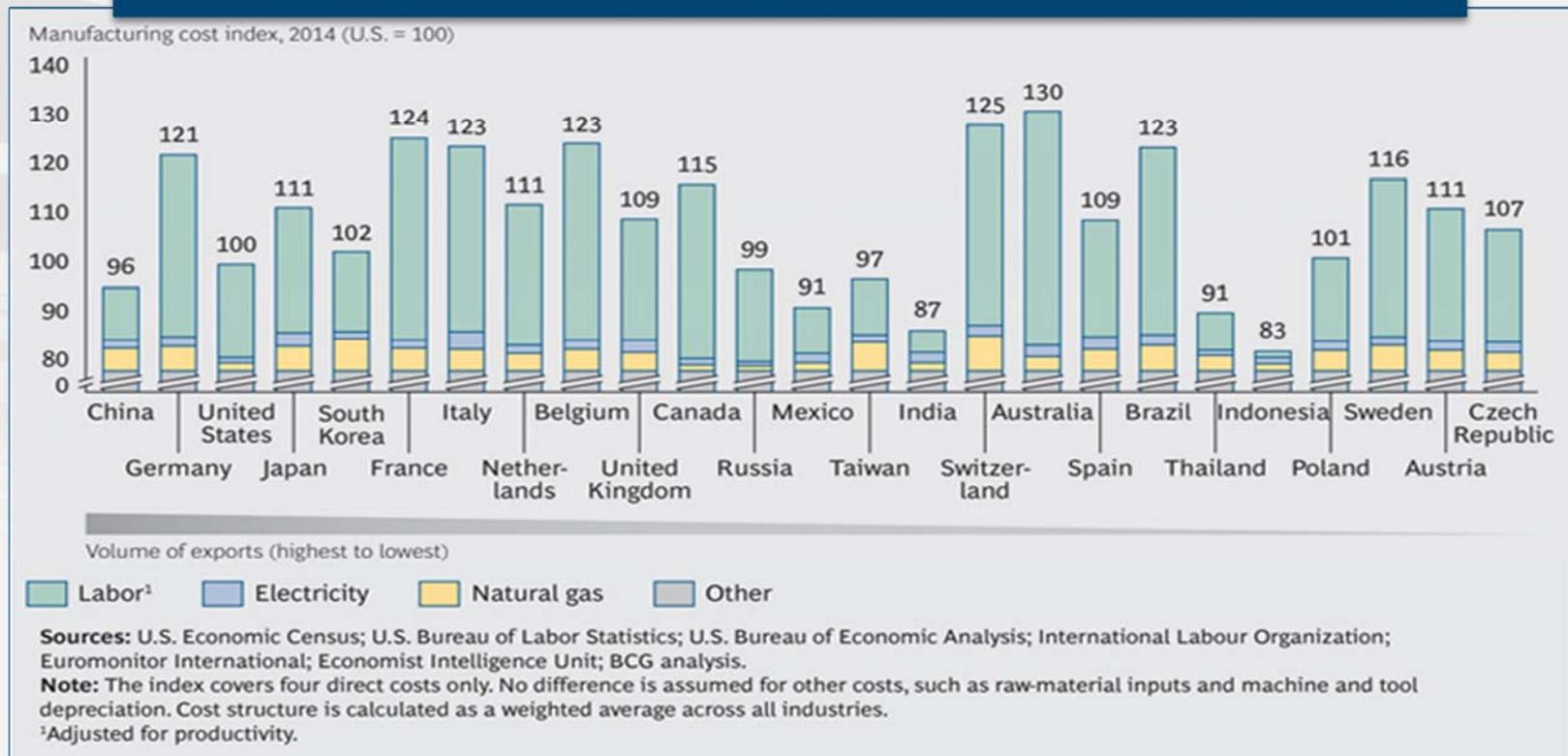
Containerized Trade at U.S. Ports (TEUs)
1980 - 2013



Global Manufacturing Shifts

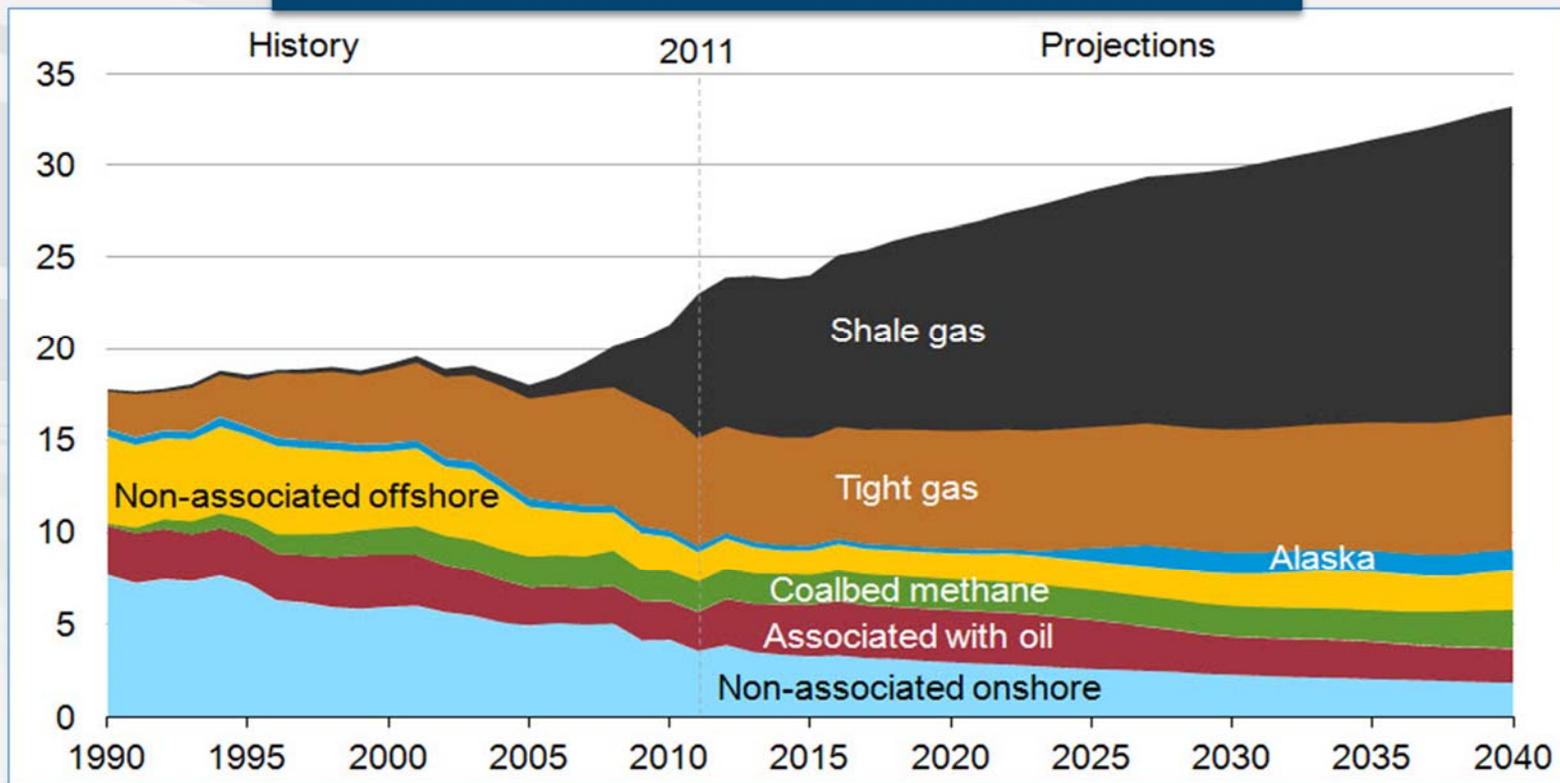
● Near shoring

Manufacturing Cost Index for the Top 25 Export Economies



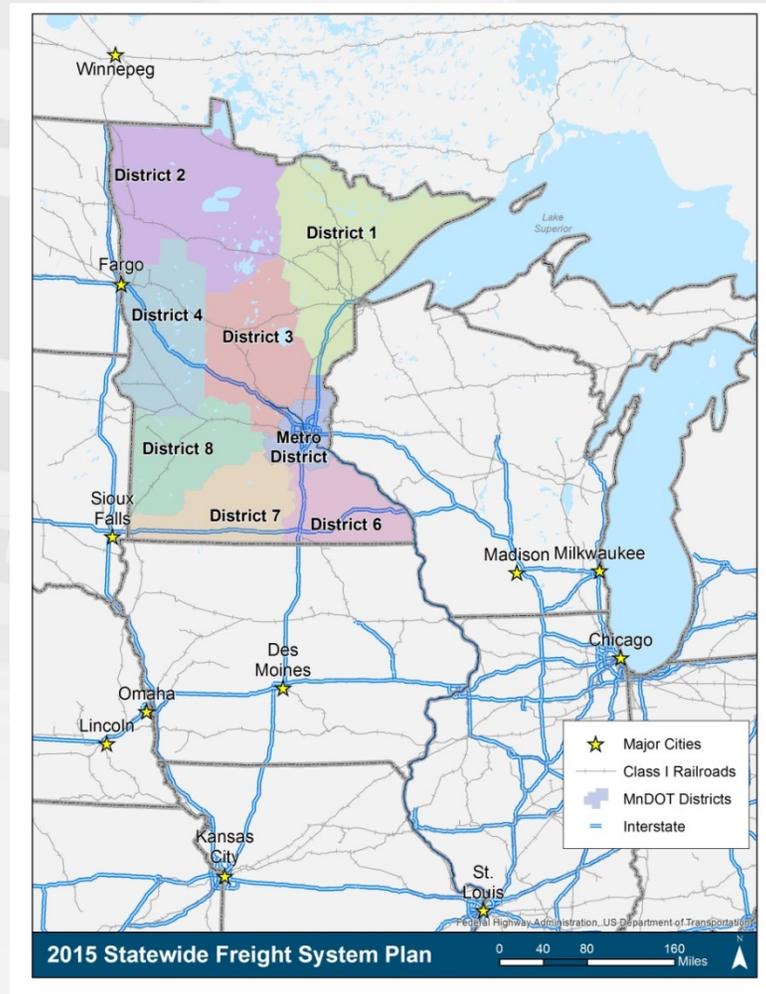
New Sources of Domestic Oil and Gas

U.S. Oil Production 1965-2013



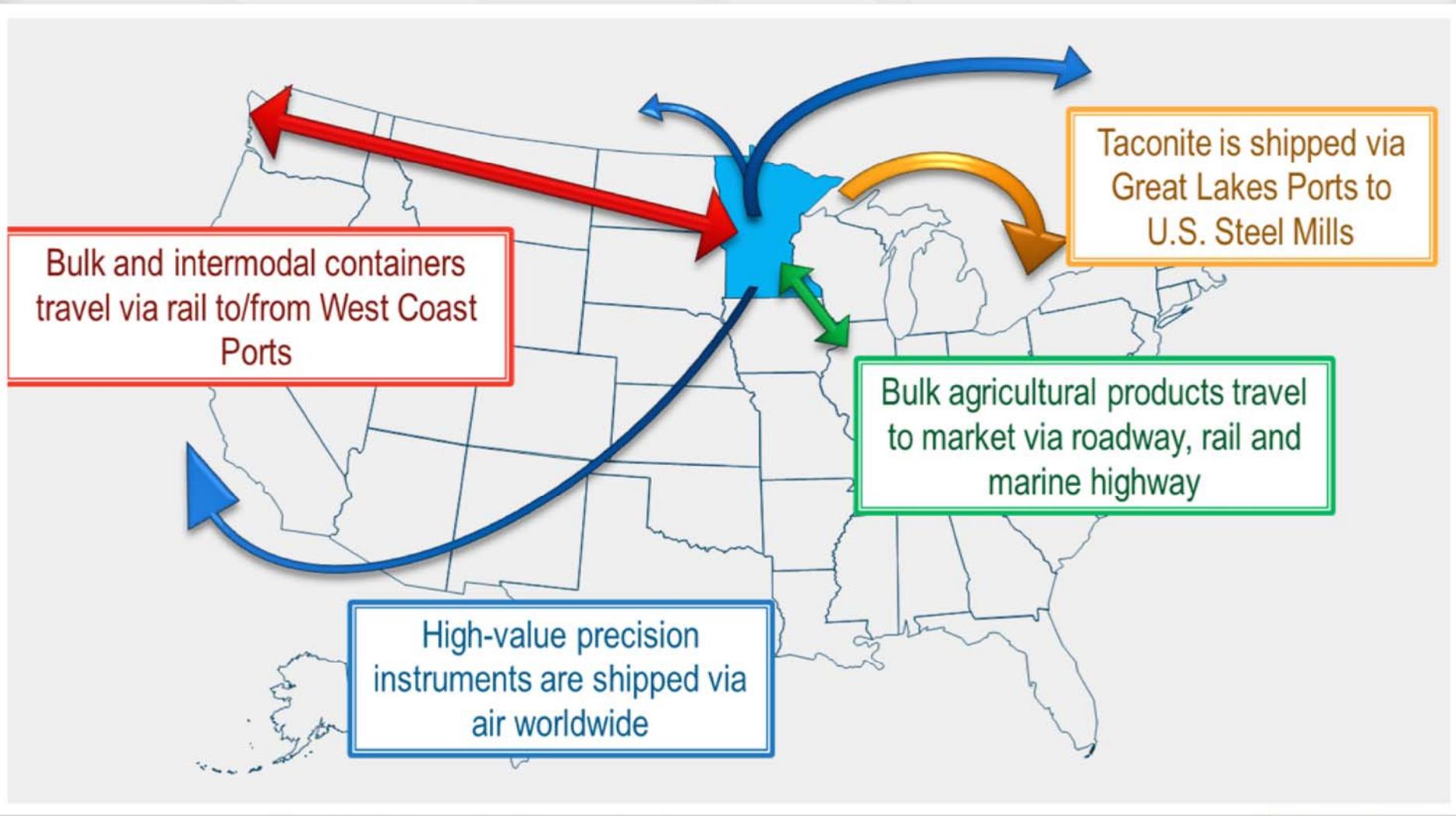
Source: U.S. Energy Information Administration, Annual Energy Outlook 2013 Early Release

Infrastructure and Regional Connections



- Minnesota's freight system connects industry to markets outside the state
- Highways and rails connect Minnesota to broader markets via Chicago and other hubs
- Increasing demand for passenger service

Connections to Domestic and International Markets



Logistics Based Development Strategy

- ④ Supply chain is unit of competition
- ④ Not just warehousing and distribution
- ④ Benefits all industries
- ④ Transportation is necessary but not sufficient element

Cargo Oriented Development

- ① Freight generating facilities

- » Manufacturers
- » Agriculture
- » Mining

- ① Freight receiving facilities

- » Commercial
- » Retail

- ① Freight handling facilities

- » Warehousing/distribution
- » Intermodal facilities



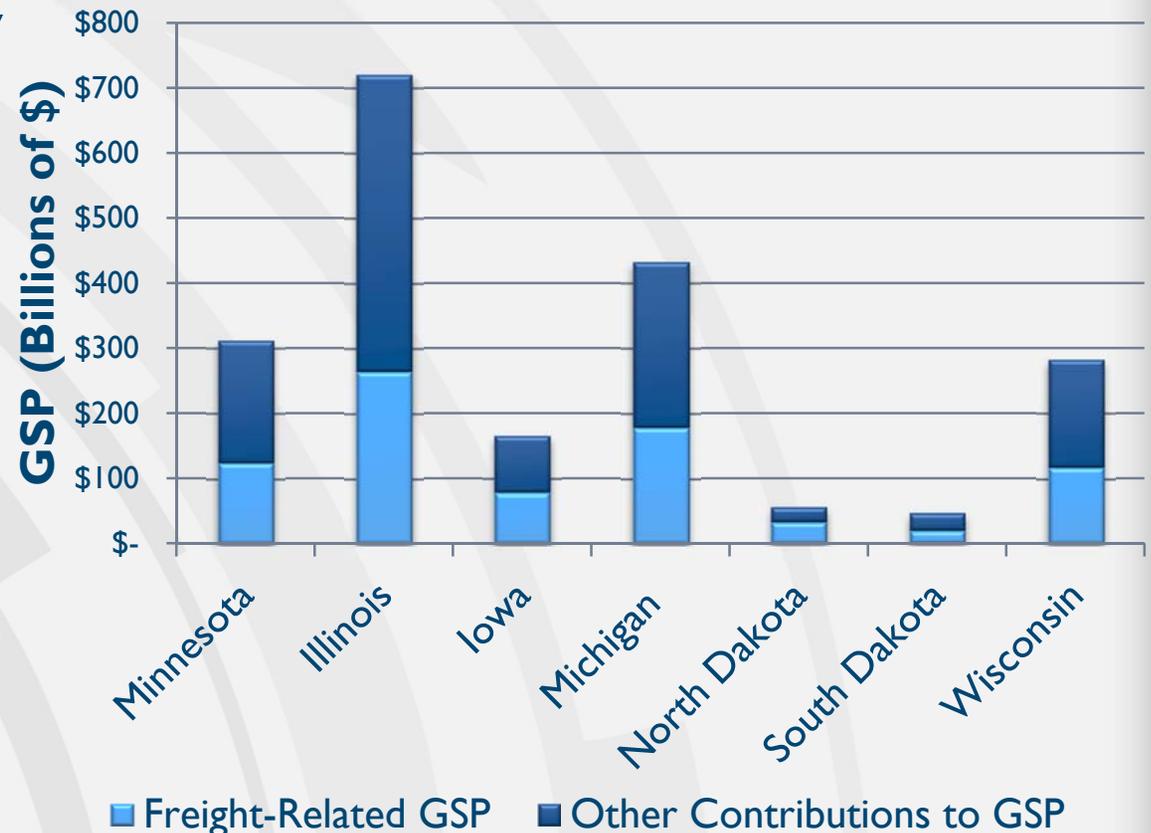
Minnesota's Freight-related Industries

Freight-related industries

- » Agriculture & Forestry
- » Mining, Utilities, Construction
- » Manufacturing
- » Retail & Wholesale Trade
- » Transportation & Warehousing

Comprise about 40% of MN's Gross State Product (GSP)

Gross State Product



Source: Bureau of Economic Analysis, 2013

Opportunities for Rural Areas

- ① Market access is key
- ① Close proximity to urban population centers but avoids
 - » Congestion
 - » High land costs
 - » Significant community opposition
- ① Key is multimodal transportation access



What Should You Care About Freight?

- It is a major employment industry
- It has significant growth potential
- It is a key input for all industries
- It impacts cost of living





Questions?

Paula Dowell, Principal
Cambridge Systematics, Inc.
pdowell@camsys.com