

FEATURE | **INDIANA**

Intermodal facility needed to exploit transport strength



State is banking on growing logistics industry

By Brian Zurawski

Well known as the Crossroads of America, the Indianapolis area has leveraged its central location to establish itself as a major player in distribution, warehousing and logistics. Now the area's government, civic and business leaders are working to defend the area's Crossroads of America identity and grab an even bigger piece of the global logistics pie.

There's more at stake here than a nickname and local leaders are banking on logistics for some 20 percent job growth in the next few years. As a result, they've committed intellectual, political and financial resources to making sure the region remains competitive. They've also identified a big challenge: If the region fails to stake a claim in intermodal rail, it could lose its position in the logistics marketplace.

A winning formula

Ironically rail was one of the key ingredients in Central Indiana's emergence as a shipping hub, but it was the development of the interstate highway system that cemented Central Indiana's position. That left Indiana with more interstate highways - 14 - than any other state, and Indianapolis with more intersecting interstates than any other U.S. city. Add to the mix an international airport and the state's waterfront ports (on Lake Michigan and the Ohio River), and you have an area strategically positioned for logistics.

The result of all this is a list of rankings economic development officials can crow about. Indiana is:

- * first in the nation in interstate highway access
- * fifth in the nation in volume of commercial freight
- * eighth in air freight movement
- * ninth in rail miles
- * 14th in terms of cargo moved by water
- * home to the nation's second-largest FedEx hub

Even with all this going for them, the people of Indiana want to improve their position. A \$1.1 billion airport renovation is underway in Indianapolis, and billions more have been

committed to new highway construction, including an extension of Interstate 69 from Indianapolis to Evansville. The state recently expanded the authority of Ports of Indiana to allow it to drive the development of non-water-based operations. In addition, state and local governments offer aggressive economic incentive, including tax abatements, and the state recently eliminated its inventory tax.

Last year, a coalition of public and private entities created Conexus Indiana, a logistics-and-advanced-manufacturing focused economic development organization with nearly \$7 million in funding. Conexus is now assessing Indiana's logistics assets, marshalling its resources and planning a cooperative strategy for boosting the state's economic position.

Combine these advantages with central Indiana's labor force, attractive cost of living, seemingly endless supply of available land and strong base of speculative development of bulk distribution buildings, and you get solid growth in warehousing and logistics space, with millions of square feet added annually.

Getting on track

The stakes are high. As the global marketplace grows, more and more products arrive in the United States via shipping lines that deliver goods to the coasts. With an expectation that domestic freight volume could double by 2035, the process for getting products from the coasts to the nation's interior must continue to improve.

Intermodal rail facilities provide important links in this chain, especially as increasing fuel prices make trucking less attractive. However many existing intermodal facilities are overwhelmed and that creates big opportunities for areas interested in developing intermodal facilities: The Port of Indiana has estimated the direct economic impact of a new Indiana intermodal rail facility to be \$800 million dollars in development investments, 16,000 permanent jobs, 20,000 construction jobs and \$27 million in property tax revenue.

But first goods have to get to Indiana. Congestion on the LA/Long Beach port is forcing shippers to divert traffic to other western ports or to eastern or Gulf ports. One bottleneck from eastern ports to the Midwest has been tunnels that could not accommodate double-stacked trains, meaning trains on those routes had to be single-stacked, reducing the amount that could be shipped on any individual train.

To remedy this, the federal government committed \$150 million to raise the roofs on tunnels in Virginia and West

Virginia, opening opportunities for increased volume in intermodal facilities west of those tunnels.

Unfortunately, other areas ahead of Indiana are taking advantage of this opportunity. For example, a new intermodal facility will open soon in Columbus, Ohio, and another is planned for Dayton, while Chicago already is well established as an intermodal hub. Although Indiana has courted railroads to discuss intermodal opportunities, no railroad has committed to building or expanding anything in Indiana at this point.

A total-cost advantage

Indiana does have real logistics strength: the state is home to 4,200 miles of Class I rail tracks, as well as the CSX Avon Yard just west of Indianapolis that could serve as the foundation for a major intermodal facility. It also offers an experienced workforce, with 60 percent higher employment in warehousing and storage operations relative to the national average.

Add to these attributes the area's established logistics operations, a deep well of expertise and a history of public-

private efforts that work effectively for economic development, and you get a place where intermodal rail ports make sense for everyone involved.

Because decisions about where to place intermodal facilities will be bottom-line-driven, the region must make its case not on any line-item-cost benefits but, instead, on a better total cost scenario.

Indiana / Central Indiana must identify and promote the niche it can play as the distribution shift unfolds. The point is not that the area needs to rely on distribution for all future job growth. Rather, it is that the region must attract the business necessary to support the infrastructure and labor base already here while also claiming its fair share of logistics-industry growth in the country's crossroads, the Midwest.

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