

National Association of Regional Councils

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Economic Development Administration

Economic Development Today

“Global Gateways”



Telecast Summary
by

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On Tuesday, February 14th, 2006 the National Association of Regional Councils (NARC) in cooperation with the Economic Development Administration (EDA) aired the telecast entitled “Global Gateways” via satellite and dish technology. This telecast was the second of six created for the 2005-2006 series called *Economic Development Today*.



From Left to Right: Mr. Jeffrey S. Heller, *Assistant Vice-President, International Marketing, Norfolk Southern Corporation*; Mr. Gary Gallegos, *Executive Director, San Diego Association of Governments*; Ms. Gayle Rusing, *CEcD, President/CEO, Greater Yuma Economic Development Corporation*; Matthew E. Crow, *Director of Communications, Economic Development Administration, U.S. Department of Commerce*

Moderator:

Matthew E. Crow, *Director of Communications, Economic Development Administration, U.S. Department of Commerce*

Panelists:

Mr. Gary Gallegos, *Executive Director, San Diego Association of Governments*

Ms. Gayle Rusing, *CEcD, President/CEO, Greater Yuma Economic Development Corporation*

Mr. Jeffrey S. Heller, *Assistant Vice-President, International Marketing, Norfolk Southern Corporation*

Global Gateways:

Mr. Crow stated that global gateways are “strategic and economic centers that connect businesses, talent, markets, and other resources” through critical corridors. To compete in an inter-connected world-wide economy, America’s regions must be linked within as well as externally throughout the world. Cities and towns along these corridors must focus on managing the links between transportation, critical infrastructure investments, and economic development. The telecast provided information on two regional collaborations, and one private industry and how they are playing a role in planning and developing their gateways for global competitiveness.

San Diego Association of Governments:



Gary Gallegos, Executive Director of the San Diego Association of Governments (SANDAG), a multi-jurisdictional planning agency, first addressed the issue of global gateways from a macro-level, highlighting the collaboration between Alaska, Washington, Oregon, and California. In an effort to create an efficient trade corridor within the United States and between two of their largest trade partners (Canada and Mexico), the Metropolitan Planning Organizations, State Departments of Transportation, as well as the rail and port industries from these four

states have organized and are working together to maximize their investments and create better collaborative strategies.

Mr. Gallegos focused the rest of his discussion on the relationship between the San Diego and the Baja California region. Gallegos stated that the San Diego-Mexico region is very much a “bi-national economy”, meaning that whatever happens on one side of the border affects the other side. In partnership with Caltrans, SANDAG conducted a study to estimate the economic impacts of border delays on the San Diego and the neighboring Mexico Baja California Region. The maps below show the output and employment impacts due to the delays at the border.

The combined total employment impacts due to delays for crossborder personal trips and freight movements at the San Ysidro, Otay Mesa and Tecate Ports of Entry is estimated at more than 35,000 jobs in California, nearly 8,300 jobs in Baja California, more than 39,000 at the U.S. national level and over 12,200 jobs in Mexico.

California-Mexico Distribution of Trucks

Caltrans conducted roadside surveys to determine origin and destination of products crossing through the Otay Mesa, Tecate, and Calexico East POEs. The surveys showed that approximately 22% of the crossborder truck trips have destinations in San Diego or Imperial Counties. Approximately 57% of the truck trips have origins or destinations to other counties within the State of California. At least 21% of the truck trips using California POEs have origins or destinations outside California, to other U.S. States and international locations. Roughly 78% of all trade transported by truck through the California/Baja California POEs originated or is destined for, locations outside of San Diego and Imperial Counties. This high percentage is a strong indicator of the demand placed on California/Baja California's transportation infrastructure.

Surveys were conducted to see where the distribution of loaded trucks that travel across the California-Baja California ports of entry to and from U.S. states and abroad. The results revealed that the majority of the goods were sent to Asia. The major states were California, Arizona, Texas, Georgia, Illinois and New York.

Organizationally, SANDAG has even brought in Mexican representatives to sit on their board of directors to discuss common interests and concerns. One such collaboration is the maquiladora's program in Mexico. The maquiladora's program was started in Mexico in the 1960's as a mechanism for the government to maximize efficiency out of its large and underutilized labor force. The purpose of the program was to bring in foreign investment, particularly from the United States, in order to put its citizens to work. The interaction and synergy between the United States' southern border and Mexico's northern border has fueled a symbiosis of productivity and development for both national economies. The United States has typically focused its efforts on the research and development of products, while the Mexican workforce has focused on putting the products together. Both countries rely heavily on the goods movement during this process. This relationship has since been reinvigorated after the signing of North American Free Trade Agreement (NAFTA) in 1994. Although the relationship between the U.S. and Mexico has created a lot of opportunity, it also brings with it many challenges.

One of the biggest challenges within these "bi-national" regions is border wait times. The average wait time for cars and trucks going across the border is approximately 45 minutes. SANDAG has calculated that the loss of economic opportunity from these wait times in the past year is \$3.2 billion in the state of California, \$2.24 billion in Mexico, and \$3.74 billion in the greater United States. The issue of congestion coupled with the issue of effective security has been one of the biggest challenges facing goods movement. Mr. Gallegos stated that it will be important in the future to diversify the goods movement so that it does not rely so heavily on trucks.

One of the major issues facing the San Diego region in dealing with these challenges is the lack of investment in infrastructure. Gallegos remarked that the planning process for goods movement and economic development is in place, but the local areas are under invested, particularly around the border. He continued by emphasizing that this issue is local in nature but it transcends locality to state and even national prominence.

But, the San Diego region has realized that State and Federal funds have been depleted, therefore they have turned to the local residents to help pay for transportation infrastructure. In the last ballot, the region passed a 0.5% sales tax increase in order to generate additional revenue. This measure will help raise \$4 billion

over the next 40 years. SANDAG and their partners have worked hard to educate the public about transportation infrastructure and this has helped them become more of a “self help” community.

To learn more about SANDAG visit: www.sandag.org.

Gayle Rusing, CECD, President /CEO of Greater Yuma Economic Development Corporation (Greater Yuma EDC) introduced Yuma County as a burgeoning gateway due to its strategic location, plentiful workforce and receptiveness to economic opportunity. Yuma’s location at the southwestern corner of Arizona provides ample access by rail, air, and roadway to major markets in all directions including cities that are a few hours’ truck haul away, such as San Diego, Los Angeles, Phoenix, Mexicali and Las Vegas. Its strategic location has been important in the area’s growth, but regional partnerships have been vital in achieving success. Ms. Rusing remarked that the MSA’s permanent population is only about two hundred thousand, so collaborating with nearby regions has been important in expanding the county’s ability to compete internationally.



Greater Yuma EDC is a public-private corporation dedicated to expanding the economy of its member communities through the attraction of commerce and industry to Yuma County. One of its goals is to enhance the region’s economic competitiveness via strategic partnerships. Affiliations with public, private, and non-profit partners have enabled the EDC to achieve success. Alliances include those with city and county governments across state and national borders, and with congressional and international delegates. Other important partners are Yuma Private Industry Council (Yuma’s workforce development agency), Greater Yuma Port Authority, Yuma County Airport Authority, Border Trade Alliance, Arizona-Mexico Commission, CANAMEX Commission - and the Southwest Border Coalition - a collaborative group of five interstate and international economic developers.

Ms. Rusing stated that Greater Yuma EDC is currently working with its partners to expand rail capacity and airport cargo facilities in anticipation of San Luis II commercial port construction at its southern city of San Luis. The new port will ease congestion at the crossing, and allow expansion of trade activity and investment between the states of Sonora and Arizona. The airport, shared with the U.S. Marine Corps, has the advantage of four runways including one over 13,000 feet. The Yuma region is also preparing to capitalize on a commercial seaport anticipated in the Punta Colonet area.

In addition to collaboration, Ms. Rusing emphasized the importance of genuine appreciation for the contributions of people of multiple cultures in today’s communities, and of truly seeing one’s locality as a portion of the global economic environment.

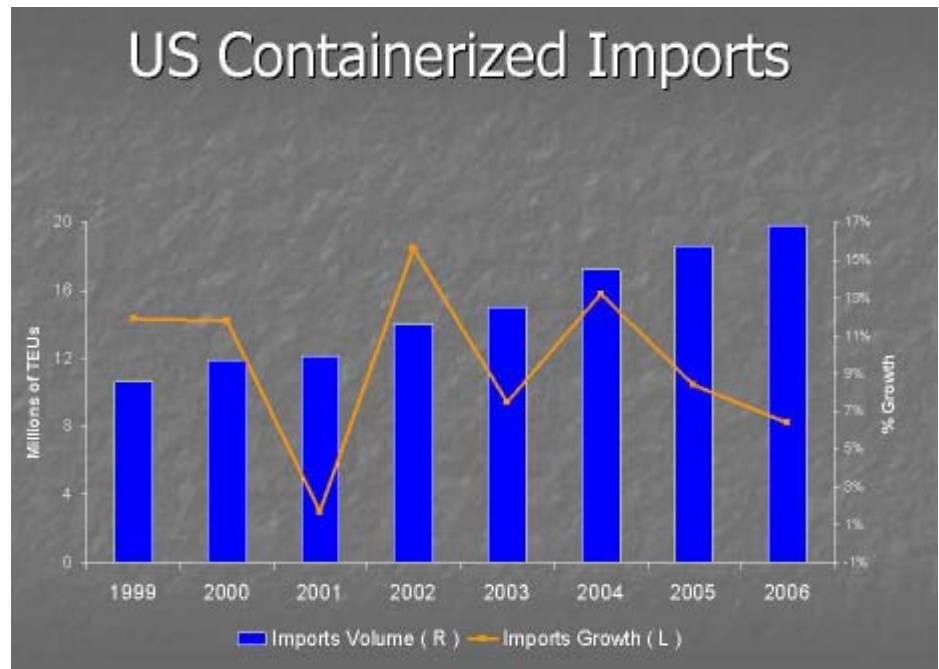
To learn more about the Greater Yuma Economic Development Corporation, visit:

www.greateryuma.org.

Norfolk Southern Corporation

U.S. Trade Continues to Grow by Leaps and Bounds

As you can see from the chart on the right, showing containerized imports, in four of the past seven years, we have seen double digit growth in imports, and very healthy year-over-year growth in the other three years. Jeffrey Heller, Assistant Vice-President, International Marketing at Norfolk Southern Corporation gave the historical perspective of why goods movement development, particularly freight is critical to the U.S. in meeting the infrastructure and capacity demands of an expanding



global economy. He stated that population and development trends in India and China has completely refocused the goods movement in the United States. In the past 7 years Chinese imports alone have doubled and this percentage will continue to rise.



Increase in development from Asia has directly impacted ports on the Western Coast of the United States plaguing the efficiency of the goods movement in ports such as Long Beach and Los Angeles. Consequently, shippers and movers have focused more on the Eastern seaboard ports and terminals, including New York, Norfolk, Miami, Charleston, and Savannah, as plausible alternatives. Heller remarked that this shift in goods movement could potentially shift how goods flow with the U.S. and the transport community must be ready to deal with these changes. Increasing

demand for capacity, infrastructure, and investment has been recognized and there are many initiatives both private and public going forward to ameliorate these challenges.

On the rail inland transportation side, there are two primary “networks”. The first one we see here is the transcontinental network, which has developed around the WC dominance of the trade. The western railroads – UP and BNSF (in the dashed lines) handle the containers between the WC ports and the interchange gateways at Chicago, Memphis and Dallas. From there Norfolk Southern handles the containers to destinations in the East.

Norfolk Southern’s primary source of funding is their own capital expenditures, included in the 2006 budget for \$1.1.46 billion in projects for maintaining equipment, track and facilities as well as the construction of new terminals throughout the network. While this sounds like a considerable amount of money, a large portion of this goes to just maintaining the current railroad infrastructure. With the strong growth in business that we have seen in all areas of our business, the amount of remaining funding falls short of all the investment.

In the last few years, NS has embarked on a new course – the Public Private Partnership. Over the past few decades, Intermodal has worked on these types of projects on a smaller scale, by providing rail service to inland locations that were built and operated by state government agencies such as in Huntsville, AL and Front Royal, VA. These are locations NS would not likely have made the investment to construct an Intermodal terminal, but can offer service.

Mr. Heller stressed the importance of Federal support in expanding capacity and infrastructure challenges. The Economic Development Administration has continually invested funds to help development and expansion of multi-modal ports throughout the country. Heller also stressed the importance of certain SAFETEA-LU provisions in promoting the expansion and development of more railway, ports, and infrastructure development. These funds have helped companies complete their projects in a more timely fashion. Private industry efforts also continue to play a critical role in developing more goods movement infrastructure.

Norfolk Southern Corporation, in particular, has worked to expand their Intermodal capacities in the eastern half of the United States, including efforts in the Columbus, OH-Heartland corridor. Norfolk Southern’s vision is to have various Intermodal facilities that promote logistics, distribution, as well as public-private partnership investment. Heller remarked that buy-in from various stakeholders is key in securing the proper amount of investment for project completion. Site selection is also critical in developing strategic centers for movement and distribution. Although Norfolk Southern has financed the majority of its infrastructure needs out of its own budget (\$1.1 billion for 2006) infrastructure costs continue to be a challenge.

In 2005 infrastructure investments cost Norfolk Southern over 50% of their budget and their additional funds were spent on various projects. The question is: with the rising costs of infrastructure, how will private industry be able to compensate for the rise in demand? Mr. Heller remains optimistic stating that there have been a number of success stories in the past two years that has helped Intermodal goods movement grow and expand, including the Heartland Corridor where they have selected two sites for logistic centers as well as an initiative to develop the infrastructure and technology for double stacked trains as a way to meet higher demands.

To learn more about the Norfolk Southern Corporation, visit: <http://www.nscorp.com/nscorp/index.jsp>.

Lessons Learned:

There were many important concepts that the three panelists talked about during their discussion on global gateways. Three common themes were: funding streams and infrastructure investment; partnerships and collaboration, and; education and civic engagement.

1. *Funding Streams and Infrastructure Investments*: With the growing demands of capacity throughout America, these issues will be critical in developing a sustainable global gateway. Without investing money in making sure goods are properly flowing, congestion and gridlock can negatively impact regional competitiveness. Funding infrastructure will have to come from a diverse set of stakeholders due to its high costs.

2. *Partnerships and Collaboration*: Involving as many stakeholders as possible and as early as possible in the planning process is critical for creating a solid development project. This will also increase the chance of funding streams and efficiency with project implementation, particularly when the public and private sectors are working together.

3. *Education and Civic Engagement*: Educating everyone in your region is an important part of the process. Not only does the Federal government and industry have to understand the process, but local elected officials and the general public also have to feel ownership of the regions economic development plans. This can also help to create more “self help” communities.

The next Economic Development Today Telecast will be held on March 28th on *Rural Entrepreneurship and Innovation Leadership*.

To learn more about these programs please contact Peggy Tadej at 202-986-1032, ext 224. To view the telecast go to the website: www.eda.gov/newsevents/webcostsvideos.xml/