

Growth Opportunities for Greater Owensboro in the Logistics Industry

Greater Owensboro Economic Development Corp.
Owensboro Riverport Authority
Owensboro-Daviess County Regional Airport



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Size, Strength, and Growth of Logistics Industry in Greater Owensboro

This profile analyzes the size and future growth potential of the logistics industry in the Greater Owensboro region.

Owensboro is known for its central location, but also for its relative isolation of being off the interstate network. Owensboro has a long history of river commerce due to its strategic location along the Ohio River. It has an airport with an 8,000 foot runway, far bigger than most comparably sized cities. Owensboro is located along the CSX main rail line. The region is flush with opportunities for new highway transportation infrastructure from the Interstate 64-Interstate 65 connector that is currently under construction to the Interstate 69 corridor, which will cross the Ohio River less than 30 miles from the Owensboro Riverport and connect to the Audubon Parkway, a newly designated I-69 spur.

These assets combined with those currently under construction provide the Greater Owensboro region with an opportunity to grow the logistics industry.

The Council of Supply Chain Management Professionals defines logistics as “the process of planning, implementing and controlling efficient flow and storage of goods, services, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements.”

The logistics industry in the Greater Owensboro region, which for the purpose of this profile will include both the Owensboro and Evansville Metropolitan Statistical Areas comprises 16 different sectors using the North American Industry Classification System (NAICS). Most of these 16 sectors fall into the transportation and warehousing industrial sector.

All of the 16 sectors are recognized by the federal and state statistical reporting agencies, so officially collected data are available on them. Some of the data are good; some are not so good. In addition to the 16 officially recognized sectors that fit comfortably into the logistics industry, there are many other companies that engage in logistics activities as a normal but subsidiary part of their main business. Because these activities are buried in those other industries, government data collectors do not identify them in ways that would permit us to study them. But they are nevertheless important to consider as well.

The strong position and future opportunities of the logistics industry in the Greater Owensboro region is reflected statistically by the relatively high concentration of employment in the industry. Opportunities to take advantage of under-utilized assets, capitalize on highway infrastructure currently under construction and investment in future infrastructure to capitalize on growth opportunities in this industry is a key finding of the study. This study should not serve as the only basis for the strategic decisions and investments going forward, it is intended to provide an initial overview of the industry and opportunities for the future. Professional expertise is needed consisting of further analysis of specific industry sectors in the future.

For the purposes of this profile, we define the logistics industry to include these NAISC sectors:

NAISC Code	Sector Name
48	Transportation and Warehousing
481	Air Transportation
483	Water Transportation
4841	General freight trucking
4842	Specialized freight trucking
486	Pipeline transportation
4881	Air transportation support activities
4882	Rail transportation support activities
4884	Road transportation support activities
4885	Freight transportation arrangement
4889	Other transportation support activities
492110	Couriers
4931	Warehousing and storage
541614	Process, physical distribution and logistics consulting services
561910	Packaging and labeling services

What is Greater Owensboro?

For this profile, the Greater Owensboro region includes the Owensboro Metropolitan Statistical Area (MSA), including the City of Owensboro, Daviess, Hancock and McLean counties. Some analysis in the study will include the Owensboro “labor-shed” area, which is a combination of the Owensboro MSA and the Evansville MSA, which includes Vanderburgh, Warrick, Gibson and Posey counties in Indiana; and Henderson and Webster counties in Kentucky.

Greater Owensboro’s Position is Advantageous

The Greater Owensboro region’s geographical position puts it within convenient striking distance of 75 percent of the population of the United States and Canada. The region is located within 600 miles of 41% of personal income, 53% of manufacturing employment, and 41% of retail sales in the country. Greater Owensboro is located 75 miles from the median center of the U.S. population (the point where latitude and longitude lines intersect, and the population is the same on all sides) resulting in lower transportation costs. Location alone provides this region with an important comparative advantage.

Logistics Assets

Owensboro’s excellent highway, rail, river, and air access allows commerce to flow quickly to all parts of the world.

The Owensboro Riverport Authority is a full-port, intermodal facility serving local, national, and international industry. Located at mile 759 on the Ohio River and 10 miles from the confluence of the Green River, the Owensboro Riverport is the largest riverport between Louisville and St. Louis and is a

pivotal point for all river shipping in the Midwest. The Riverport serves as a licensed delivery warehouse serving contracts from the London Metal Exchange. In addition to its geographical benefit, the port is a customs port-of-entry for receiving and shipping of foreign goods and maintains Foreign Trade Zone status.

The Owensboro-Daviess County Regional Airport recently completed the construction of a runway expansion project extending the main runway to 8,000 feet, the second longest in Kentucky. The airport is located adjacent to the Owensboro By-Pass, a four lane divided highway that connects to the state parkway and interstate network. There is ample land adjacent to the airport for development, including 126 acres located on the airport property and 192 acres in the adjacent Mid America Airpark.

A primary north-south line for CSX runs through the Greater Owensboro region, providing ample combined river, rail, and highway access in the east in Hancock County and throughout the Owensboro and Daviess County.



Greater Owensboro is linked to the national transportation network through two limited access highways, the Natchez and Audubon Parkways, which provide easy access to nearby I-64 to the north and in the south to I-65 and I-24. Newly planned I-66 and I-69 corridors are 30 minutes to the west and south. Additionally, US 231, US 431, and US 60 provide excellent highway access to the region.

Interstate 69 will intersect the Audubon Parkway between Owensboro and Henderson at approximately the three-mile marker. The Interstate will connect Canada to Mexico and will cross the Ohio River within 30 miles of the Owensboro Riverport Authority and the Owensboro Daviess County Regional Airport.

The I-64/ I-65 connector, currently under construction and set for completion in 2014, provides a four lane limited access north-south expressway connection via the Natchez Bridge to I-64 in 30 miles north in Indiana and I-65, located 50 miles to the south. Owensboro is the largest city and is located near the midpoint along the Connector.

Logistics Sector in Owensboro and Evansville Regions

In 2007, the logistics industry of the Owensboro and Evansville MSA region comprised nearly 400 establishments employing more than 11,000 workers. Total wages and salaries collected by industry workers exceeded \$296 million. The average annual paycheck per worker was over \$26,000.

Highway Mileage to Selected Market Centers

City	Miles	City	Miles	City	Miles
1. Atlanta, GA	378	11. Dallas, TX	738	21. Nashville, TN	134
2. Baltimore, MD	713	12. Detroit, MI	470	22. New Orleans, LA	664
3. Birmingham, AL	324	13. Houston, TX	859	23. New York, NY	850
4. Boston, MA	1059	14. Indianapolis, IN	178	24. Norfolk, VA	752
5. Buffalo, NY	642	15. Jacksonville, FL	726	25. Oklahoma City, OK	703
6. Charlotte, NC	513	16. Kansas City, MO	451	26. Omaha, NE	641
7. Chicago, IL	328	17. Lexington, KY	179	27. Philadelphia, PA	777
8. Cincinnati, OH	209	18. Louisville, KY	109	28. Pittsburgh, PA	495
9. Cleveland, OH	455	19. Memphis, TN	291	29. St. Louis, MO	209
10. Columbus, OH	315	20. Minneapolis, MN	749	30. Wichita, KS	647

There is a wide discrepancy between the average transportation and warehousing worker between the Evansville and Owensboro MSA regions. The average annual paycheck per worker in Owensboro is significantly higher (\$52,000) compared to Evansville (\$35,000). This discrepancy is likely a result of the pipeline transportation cluster in Owensboro, which has the highest sector annual wage per worker at \$97,000. The next highest pay level was long distance freight trucking at around \$40,000. With an average of \$31,000 in annual earnings, warehousing and storage and port operations are the lowest paid group of workers in the logistics industry.

Table 1 below provides specific information about the number of establishments, employment, and average wages in the logistics industry in the Owensboro and Evansville MSA region. Information on establishments, employment and wages levels is available online from the US Census Bureau North American Industry Classification System, Metro Employment Patterns. It can be accessed from the following web site: <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>.

Table 1: Owensboro MSA & Evansville MSA Logistics Sectors, Employment, Wages					
NAICS Code	Sector	Number of Establishments (OWB-EVV)	Number of Jobs	Average Wage (OWB)	Average Wage (EVV)
48---	Transportation Warehousing (Logistics Total)	387	11,064	\$52,890	\$35,000
484	Truck Transportation	232	3,952	\$38,816	\$37,629
4841	General Freight Trucking	134	3,952	\$41,063	\$38,077
48412	Long Distance Freight Trucking	88	1,968	\$43,956	\$39,105
484121	Long Distance Trucking (Truckload)	68	1,445	\$44,530	\$35,621
484122	Long Distance Trucking (Less than truckload)	19	483	NA	\$49,051
4842	Specialized Freight Trucking	98	1,434	\$33,188	\$36,867
4883	Support Activities for Water Trans.	7	269	NA	\$43,449
4884	Support Activities for Roads	11	111	NA	\$25,963
488310	Port & Harbor Operations	3	79	NA	\$31,202
48851	Freight Transportation Arrangement	18	57	\$43,730	\$53,842
492	Couriers & Messengers	27	549	\$35,722	\$34,177
486	Pipeline Transportation	4	392	\$97,946	NA
4931	Warehouse & Storage	9	260	\$31,069	NA
Source: US Census, Metro Area Employment Patterns					

Logistics Industry Competitive Advantage: Owensboro Region Compared to the U.S.

Owensboro’s central geographic location suggests an apparent comparative advantage for its logistics industry. Another tool often used by economists to assess regional comparative advantage is location quotient analysis. This tool compares the percentage share of the local workforce employed in a particular industry or sector to the percentage employed in the same industry sector in the nation.

The location quotient (LQ) for a particular sector (or industry or occupational title) is the ratio of that sector’s local employment share to the same sector’s share of national employment. A location quotient greater than one (LQ>1) signifies that the local region specializes more than the nation as a

whole in that particular sector (or industry). The higher the location quotient, the greater the local specialization and the greater the local comparative advantage in the given sector or industry.

The degree of Owensboro’s specialization (comparative advantage) varies significantly among the sectors of the logistics industry as shown by location quotients displayed in Table 2. At 36 the most impressive location quotient is shown by NAISC code 486, pipeline transportation. This is the industry in which Texas Gas, Boardwalk Pipelines and Southern Star Gas Pipelines employ hundreds of people in the Owensboro MSA. This indicates that the industry is almost 36 times as high as that industry’s share nationally.

The second most impressive location quotient is 6.8 in port and harbor operations (NAICS 488310). Various forms of freight trucking also show impressive location quotients ranging from 1.7 for specialized freight to 1.4 for long distance trucking. Support activities for water transportation also show impressive location quotients with a 1.6. Owensboro had a larger concentration of warehousing and storage with a location quotient of just over one. The presence of corporations such as Unifirst make this area an opportunity for future growth.

Of greater concern are the low location quotients for Owensboro and Evansville is that air transport sectors are non-existent in both MSA areas despite the presence of two airports with large runways and available space for development.

Table 2: Location Quotients for Logistics Industry Owensboro & Evansville

NAICS Code	Sector	LQ (EVV)	LQ (Daviness Co.)	LQ Region
48---	Transportation Warehousing (Logistics Total)	1.6	1.32	1.4
484	Truck Transportation	1.73	1.53	1.5
4841	General Freight Trucking	1.6	1.48	1.4
48412	Long Distance Freight Trucking	1.6	1.76	1.4
484121	Long Distance Trucking (Truckload)	1.9	1.82	1.6
4842	Specialized Freight Trucking	1.9	1.66	1.7
4883	Support Activities for Water Trans.	2.0	2.36	1.6
488310	Port & Harbor Operations	8.5	NA	6.8
486	Pipeline Transportation	NA	36.04	5.2
4931	Warehouse & Storage	NA	1.22	0.2

Source: US Census, Metro Area Employment Patterns & Bureau of Labor Statistics

Logistics Industry Powerfully Boosts Greater Owensboro Economy

The logistics industry not only provides more than 11,000 jobs directly in the Owensboro MSA and Evansville MSA regions, but it also indirectly generates nearly 7,000 more jobs in other industries of the region. In monetary terms, the logistics industry's annual payroll is nearly \$300 million. Furthermore, the annual wages and salaries generated indirectly from the logistics industry pump another \$100 million into the regional economy. In total, the industry directly and indirectly provides over \$400 million in payrolls for the workers of the region. While a majority of the establishments and jobs are located in the Evansville MSA, nearly 100 establishments and 2,000 jobs are located in Owensboro, generating nearly \$100 million in annual payroll.

Of all logistics sectors, pipeline transportation provides the strongest indirect boost of employment and value added to the regional economy of Greater Owensboro. An increase of 100 new jobs in the pipeline sector can be expected to add 198 jobs elsewhere in the region. A million dollars in output produced by the pipeline sector indirectly produces another \$500,000 in other parts of the regional economy. The next largest boost comes from truck transportation. An increase of 100 jobs in the trucking sector can be expected to add 97 additional jobs in other parts of the region. A million dollars in output produced by trucking indirectly produces another \$600,000 in other parts of the regional economy. The weakest indirect job boost comes from warehousing and storage. However, one million worth of direct output in this sector produces a healthy \$600,000 in additional value added elsewhere in the regional economy.

Table 3: RIMS II Multiplier Effects for Greater Owensboro Logistics Industry Sectors

NAICS Code	Sector	Value Added Booster per \$1 million investment	Employment Booster per 100 added jobs
484	Truck Transportation	\$670,000	97
486	Pipeline Transportation	\$510,000	198
492	Couriers and Messengers	\$540,000	59
493	Warehousing and Storage	\$630,000	45

Source: Bureau of Economic Analysis, Regional Economic Accounts, RIMS II Multipliers

Who Works in the Logistics Industry?

Table 4 below provides local employment, location quotients and five-year growth projections for 16 of the most prominent occupations in the logistics industry, according to the Council of Supply Chain Management Professionals. The occupations are based on the occupational classifications used by the Bureau of Labor Statistics. The location quotient enables comparisons between the concentrations of occupations in the Owensboro MSA compared to the concentration of the same occupation nationally.

The Owensboro MSA has a location quotient of higher than one in seven of the 16 areas. The highest LQ is in the Crane and Tower Operator sector with a 3.73. The main area of concern identified from these data are that the two lowest location quotients are from the two occupation sectors that will likely experience the most growth over the next five years, Business Operations Specialists and Customer Service Representatives.

Table 4: Occupational Sectors within the Owensboro MSA Logistics Industry

SOC Code	Occupation Title	Local Employment	LQ	Future Growth
53-3032	Tractor Trailer Truck Drivers	590	1.79	10%
11-1021	General Operations Managers	520	0.84	14%
53-7062	Laborers & Freight, Stock, and Material Movers	650	0.76	2%
13-1199	Business Operations Specialists	130	0.38	21%
43-4051	Customer Service Representatives	330	0.31	25%
11-2022	Sales Managers	60	0.52	10%
13-2011	Accountants and Auditors	210	0.51	17%
43-9061	Office Clerks, General	510	0.48	12%
43-1011	First Line Supervisors, Managers	480	1.06	6%
53-7051	Industrial Truck and Tractor Operators	580	2.58	-2%
11-3071	Transportation, Storage, and Distribution Managers	40	1.15	9%
49-9042	Maintenance and Repair Workers	740	1.57	10%
53-1031	First Line Supervisors, Managers of Transportation and Material Moving	100	1.27	10%
11-3040	Human Resource Managers	40	1.81	12%
43-5071	Shipping, Receiving Clerks	300	1.09	4%
53-7021	Crane and Tower Operators	60	3.73	3%

Source: Bureau of Labor Statistics, Occupational Profiles by Metro Area

Recent Developments in the Logistics Industry Present a Mixed Picture

Positive and not-so-positive developments are evident in the logistics industry in the Ohio river valley, Midwest and Upper south regions of the United States.

Warehousing and Storage- is booming in places such as southwest and central Indiana as well as parts of Kentucky and Tennessee. The sudden appearance of large distribution centers is a near dramatic development in the logistics industry. Nearly 80 bulk warehouses have sprouted up in central Indiana alone over the past 10 years. The Columbia Sporting Good distribution center in northwest Kentucky near Henderson is another example. Many of these warehouses provide as much as 800,000 square feet of storage space under a single roof and are typically highly mechanized and mostly automated. In central Indiana, northern Kentucky and near Nashville many of these warehouses are clustered along major interstates adjacent to large international hub airports.

Air Industry Turbulence- The air industry and other industries that serve it have experienced significant turbulence in recent years. Many commercial airlines have gone bankrupt while others have struggled. Commercial air service struggles for ample passengers in Owensboro and Evansville. The consolidation

of Northwest and Delta could have a negative impact on some air service offered at Evansville Regional Airport.

Third Party Logistics- is the wave of the future. Logistics appeared first as a functional division within transportation and manufacturing companies. As silos eroded more holistic approaches developed to connect the supply chain process of moving and storing goods in transit. Market competition requires faster delivery of products to both businesses and consumers. Just-in-time inventory management and leaner supply chain is the prevailing paradigm of our modern world.

As a result, it is not surprising to see more and more 3PL companies centering their business model entirely on logistics and supply chain management functions. The Greater Owensboro region is near two universities that have placed a heavy emphasis on research, development and knowledge dissemination in this discipline—Purdue University and the University of Louisville.

Logistics Industry Lack of Job Growth- job growth has lost steam in the past ten years. One culprit was the two recessions experienced at both the beginning and end of the decade. The influx of terrorist threats as a result of September 11, 2001 and subsequent problems with safety, security and the stability of transportation costs also played a role in lackluster job performance in the logistics industry.

SWOT Analysis

SWOT analysis is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities and Threats in a project or in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective. The following is a SWOT analysis evaluating the growth potential of the logistics industry in the Greater Owensboro region.

Strengths

- Location of Owensboro, close to the median center of US population
- Existing infrastructure such as the Riverport and Airport
- Location of existing warehousing industries, expertise and infrastructure
- Pipeline transportation cluster is a mature industry with high paying jobs, existing infrastructure and a highly skilled workforce.
- The Owensboro and Evansville region collectively have moderately high location quotients in several key logistics areas, such as port and harbor operations, truck transportation, and warehousing.
- Ample land for development along the river, near the airport and adjacent to highways.
- Available workforce with the skills for most logistics jobs.
- Assets such as Foreign Trade Zone, expertise in warehousing, the metals, foods, and automotive industries.

- CSX main line for rail

Weaknesses

- Not currently on the national interstate network, I-69 will be the closest interstate highway, accessible via the Audubon Parkway as a designated interstate spur. The I-64/I-65 connector will provide four-lane access to both I-65 and I-64.
- Much of the land for development of river and rail access is in the flood way. Hancock County has the most attractive river, rail, highway accessible land.
- The Owensboro MSA has relatively low location quotients on several logistics areas, such as truck transportation, water transportation (excluding the public jobs at the ORA), and transportation support sectors.
- Lack of workforce training programs in logistics areas is a weakness. This is also a potential opportunity for the Owensboro Community and Technical College to offer degrees and certificates similar to the Logistics Management program offered by Ivy Tech Community College in Indiana. Long-term a bachelor of science in Supply Chain Management may be a viable degree program for one of the four-year colleges serving the Owensboro region. An aircraft maintenance program is also a necessity if any air-oriented logistics operation is successfully attracted to the airport.

Opportunities

- The Owensboro-Daviess County Regional Airport is an underutilized asset with a newly expanded runway and ample land for expansion.
- The Owensboro MSA has a low location quotient for truck and freight transportation (1.53), yet a high multiplier for output and jobs (1.6 and 1.9) as well as a high location quotient in the both truck and tractor trailer operator occupational sectors (1.79 and 2.58). This is a signal of a potential opportunity to attract trucking transportation operations to the region.
- River container traffic is likely to be headed toward inland waterways. This is a result of the expanded third channel of the Panama Canal which is expected to open in 2014. This should push more containers from the west coast to inland waterways. Owensboro has an opportunity to capture some of the container businesses due to its location and infrastructure at the ORA. Additional investments will have to be made to fully attract the inland container business.
- Third party logistics is the wave of the future. The location of several warehousing, distribution and their party logistics operations such as Packages Plus and Unifirst signal an opportunity to attract additional companies to the region.
- Owensboro is located between two large military bases, Ft. Knox (KY) and Ft. Campbell (KY-TN) and the two most important shipping companies in the world, UPS World Port in Louisville, KY and FedEx Operations Center in Memphis, TN. The region could gain a competitive advantage from its proximity between these key assets in areas such as warehousing, troop and goods transport, and aircraft maintenance.
- Explore mechanisms to extend the Foreign Trade Zone at the ORA to available property at OWB or the Mid-America Airpark for potential warehousing operations.

Threats

- Several regions, including many in Kentucky and nearby states, have set strategic priorities to position themselves for public infrastructure investments.
- Public-private partnerships are the name of the game in modern economic and community development. The Owensboro MSA is well positioned for these potential partnerships and should seek public-private partnerships in the logistics sector.
- Lack of public and private resources to support future infrastructure needs is a threat to the competitiveness of the region in the logistics industry.

Next Steps

If Owensboro is going to make the appropriate moves to position the region to be a center in the logistics industry the following steps will need to be taken:

1. The Owensboro Riverport Authority (ORA) should begin to evaluate the opportunity for the container businesses. This includes the professional expertise in examining the business opportunity as well as the necessary infrastructure improvements needed to attract the container business.
2. The Owensboro-Daviess County Regional Airport (OWB) should continue to fully utilize the opportunities of an 8,000 foot runway.
3. OWB, through its strategic planning efforts, should evaluate opportunities in the aviation industry to assist the airport in attracting economic development opportunities associated with aircraft or military logistics.
4. The ORA and OWB should explore collaborations where possible, especially utilizing warehousing expertise, and the extension of the Foreign Trade Zone.
5. ORA, OWB and Greater Owensboro Economic Development Corporation (EDC) should work jointly in developing a marketing and recruitment strategy for logistics industries such as trucking transportation, warehousing and distribution and air and water transportation industries. All three organizations should pool resources for annual marketing and recruitment efforts.
6. Local governments and the boards of ORA, OWB and EDC, as well as the advocacy efforts of the Greater Owensboro Chamber of Commerce should work collaboratively on funding opportunities from local, state, and federal sources to make the necessary investments in infrastructure, such as I-69, for Owensboro to be competitive in the logistics industry.