

Transportation Development Association



Issue Paper #1

Transportation a Key Business Asset in a Changing Economy

This is the first in a series of issue papers on key transportation topics facing the Wisconsin Legislature in the 2003-05 state budget

Across Wisconsin, the impact of transportation on major manufacturers and small businesses has taken center stage recently as companies struggle to remain competitive in a soft and increasingly global economy. Business efficiency today is all about dependable, easy access – to customers, key markets, raw materials and skilled workers. Recent business news around Wisconsin has provided numerous examples – both good and bad – of the role transportation plays in today's relentless pursuit of a competitive edge:

- Ford Motor Co. plans to build a new parts distribution center in the Menomonie Industrial Park, creating up to 80 well-paying jobs in the bustling Dunn County community. Attracting one of the world's largest companies is expected to result in several spin-off businesses.

"Obviously we have a very successful industrial park," City Administrator Lowell Prange says. "This has very good access and great transportation to their main market of Minneapolis and St. Paul."

- Rayovac announces a companywide restructuring that will consolidate its Madison and Middleton facilities into a 560,000-square-foot distribution center in Dixon, Ill., eliminating 290 jobs in the Capital city. The battery maker has adopted a "package on demand" operational system that prepares customer orders as they are placed, and the new location is along Interstate 88 and near the huge new Union Pacific Railroad intermodal facility in Rochelle, Illinois.

"Like it or not, we're in a world that's real competitive," company CEO Dave Jones says. "And if somebody gets a competitive advantage on us they can kill us in the marketplace and that in itself would cause a lot more employees to lose their jobs."

- By spring, Master Lock Co. will move its corporate headquarters and 180 jobs from the central city of Milwaukee to a new building in Oak Creek. In addition

to making better use of office space, the company cited transportation access as a key factor in the decision.

"We have some challenges recruiting," said President and CEO John Heppner. "We are not accessible to the freeways. It is hard to leave and go in and out. The people in the labor pool today look at the quality of their life as well as their job."

- Goodwill Industries of Southeastern Wisconsin is planning to open its newest location in the region on busy South 27th Street in Franklin.

"We picked the site because it's a very visible, high-traffic area," said VP of Marketing and Development Pat Boelter.

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Competitive pressures on today's businesses virtually ensure that transportation will shape Wisconsin's future, just as it impacted past economic growth.

Our state was a leader in job creation nationally throughout the 1990s, in part, because it built and maintained an integrated transportation system that moved people and products. By providing multiple transportation options and safe facilities, Wisconsin's businesses benefited from efficient, reliable routes for their products; a growing workforce enjoyed relatively hassle-free commutes that made it more productive and improved quality of life; and key segments of the state's economy like tourism flourished because of improved transportation connections.

Infrastructure investment in the 1990s was much easier because the rising tide of economic growth lifted all boats, transportation included. Now, as Wisconsin deals with a sluggish national economy, it is more important than ever to maintain those transportation investments. Here's why:

The Milwaukee office of national accounting firm Deloitte & Touche recently released a survey indicat-

ing that more than 80% of manufacturing-related businesses in Wisconsin have cut costs over the past year and will continue to do so until the economy shows signs of a sustained recovery. Aside from layoffs, primary cost-cutting measures include improving operations and reducing inventories. This makes the state's economy even more dependent on good transportation as they eliminate warehousing, bringing in parts and raw materials at the time of production and shipping finished products to customers as the orders are placed.

This "Just-in-Time" approach to production is what's driving business efficiency nationwide, as well as Wisconsin. In 1990, transportation output equaled approximately 15% of the U.S. gross domestic product. By the end of the decade, transportation costs had been reduced by one-third and represented about 10% of GDP.

The biggest factor contributing to the efficiency of the transportation industry in the 1990s was due to reduced inventories in the transportation supply chain. Hundreds of billions of dollars worth of inventory was taken out of the supply chain through the adoption of various "Just-in-Time" practices.

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Transportation: Growing Wisconsin's Economy

With an annual gross state product of \$166 billion, \$10.5 billion in yearly exports and 3.4 million commuters traveling to jobs each day, Wisconsin has a lot riding on its transportation system. Here's a snapshot of the state's transportation modes and how they benefit Wisconsin's economy:



Highways & Local Roads: Comprised of 12,000 miles of state highways and 100,000 miles of local roads and streets. More than 80% of freight shipped in Wisconsin, with a value in excess of \$146 billion annually, moves via truck. With the emergence of "Just-in-Time" shipping, truck traffic is expected to double by 2020, while overall traffic is forecast to increase 35%.

During the 1990s, 90% of new or expanding industrial firms located within four miles of a highway on Corridors 2020, a network of two- and multi-lane routes that connect key regions of the state with each other, as well as national and global markets. Local roads link businesses to state highways and provide mobility within communities.

Transit: With bus or shared-ride taxi service in 69 communities, transit serves more than 75 million riders each year. The first ride to self-sufficiency for new workers in Wisconsin's urban areas likely began on a bus. Cambridge Systematics has estimated that transit offers a 4%-16% return on investment.



Airports: 97 public-use airports handled more than 110,000 tons of cargo and 4.6 million commercial passengers in 2000. 85% of new or expanding firms in Wisconsin during the 1990s were within 15 miles of an airport capable of handling corporate jets. Aviation in the state supports 41,000 jobs and provides a \$2 billion economic impact to the state and local economies.



Railroads: 12 railroads operate in Wisconsin and carried more than 155 million tons of freight in 2000 valued at more than \$4 billion. Wisconsin's continuing efforts to preserve freight rail service makes it possible for communities to recruit and maintain rail-dependent jobs. Amtrak service carries more than 420,000 passengers each year between Milwaukee and Chicago, primarily for one-day business trips.

Harbors: The state has 15 commercial ports serving the Great Lakes/St. Lawrence Seaway System and the Upper Mississippi River. Nearly 40 million tons of cargo worth approximately \$7 billion travels through these ports each year to national and international markets.

Pedestrian/bike paths: Nearly 90,000 people walk or bike to work daily in Wisconsin, reducing vehicle emissions and congestion.



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Other Issue Papers in this series will include:

The Cost of Bonding
Highway Capacity
Commuter Rail in Wisconsin
Comparing Wisconsin's Transportation Funding

The Transportation Development Association of Wisconsin is a statewide, nonprofit organization working for an efficient transportation system for Wisconsin that addresses safe mobility and economic growth. For further information please contact the TDA office:

(608) 256-7044 or general@tdawisconsin.org
or visit us on the web:
www.tdawisconsin.org

Transportation Development Association
of Wisconsin
131 West Wilson Street, Suite #302
Madison, WI 53703