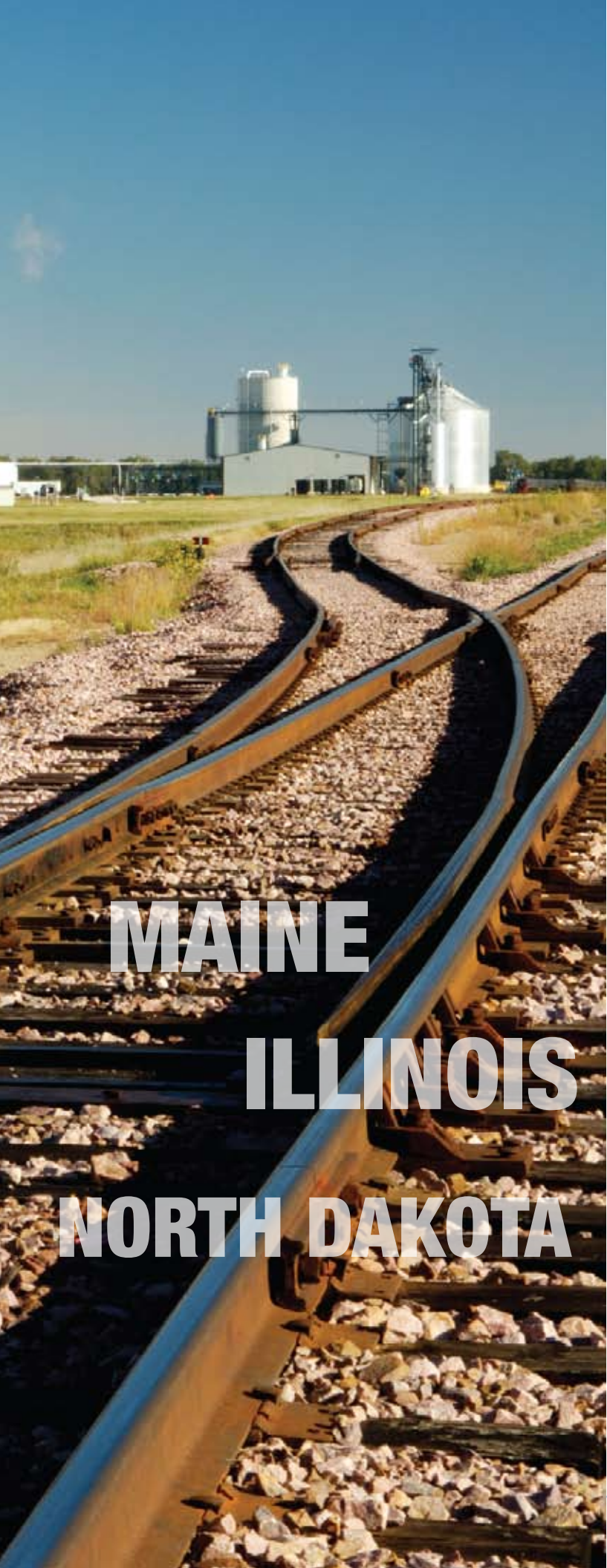


# INLAND PORTS:

## Linking Freight and Regional Economic Development



NADO RESEARCH FOUNDATION  
Center for Transportation Advancement and Regional Development  
with support from the Federal Highway Administration



**MAINE**

**ILLINOIS**

**NORTH DAKOTA**

## Introduction

On average, about 10,500 trucks travel on each mile of the Interstate Highway System each day, and this number is expected to at least double by 2035 as export rates increase and population growth increases demand for goods.<sup>1</sup> Intermodal facilities help to relieve congestion on roadways and at seaports, as customers can take advantage of access to more cost-effective rail for long hauls. These specialized facilities, often also called inland ports, transfer goods between truck and rail but are not necessarily adjacent to waterways. Goods are often transferred in intermodal containers but can also be transferred through transloading. Such sites are often located outside of major metropolitan areas, where there may be sites in proximity to existing rail and highway infrastructure that are available for development. They often function as economic hubs, attracting warehousing, transportation and logistics support services to help goods move through the supply chain. Savings in time and transportation costs benefit shippers, increasing productivity and competitiveness.

As international trade continues to grow, it becomes increasingly important for manufacturing agriculture, and other industries to have strategically-located facilities with access to major international transportation assets, support services, and suburban and rural communities. Development of inland port facilities often occurs with investment from both public and private sectors and generates new jobs, demonstrating the importance of freight as a driver of economic development in a region. Regional planning and economic development organizations, including rural and small metropolitan transportation planning organizations (RPOs and MPOs) and economic development districts (EDDs), across the nation are making use of such freight assets to develop economic strategies for their regions.

# Port of Auburn and Maine Intermodal Terminal

The Auburn-Lewiston metropolitan area is located 40 miles north and inland from Portland, Maine. The St. Lawrence & Atlantic Railroad (SL&A) passes through the twin cities, traveling 260 miles from Portland to Sainte-Rosalie, Quebec, and connecting to the Canadian National Railway in Richmond, Quebec. This geographic position and rail infrastructure provide Maine with access to deep-water ports: Halifax, Nova Scotia to the east and Vancouver, British Columbia to the west. Twenty-five years ago, the process began to expand area transportation assets that now include enhanced rail access, the Maine Intermodal Terminal, industrial parks, port designation, and a Foreign Trade Zone. These investments have contributed to significant economic development in the region.

## Regional Resilience through Partnership

In the 19th century, the power of the Androscoggin River was harnessed for water-powered mills in Auburn and to create a large textile-manufacturing center in Lewiston. With a rail spur operated by Canadian National, production in Auburn-Lewiston peaked in the 1920s and declined by the 1960s with the loss of the textile and shoe manufacturing industries in the region. In the 1980s and 1990s large companies moved in near the Maine Turnpike, in the vicinity of the Auburn-Lewiston Municipal Airport which boasted available land for expansion and rail access. Three industrial parks opened, supported by such existing infrastructure as the airport, SL&A Railroad, and exit 75 off of the Maine Turnpike.<sup>2</sup>

In the 1980s an underutilized rail spur that became the property of Auburn-Lewiston laid dormant. The Staggers Act had passed in 1980, deregulating the rail industry and allowing railroad companies to sell or abandon parts of unprofitable rail. Robert Grossman, a short line operator from Pennsylvania, approached Auburn-Lewiston with an idea to run the underutilized rail line to Vermont. Although the spur needed to be rehabilitated, it served a large area of potential industrial property. The cities agreed to his plan and allowed Grossman to create a new long-term lease with SL&A, and an Economic Development Administration (EDA) grant provided federal money to rehabilitate the rail spur. The addition of the rail spur to regional transportation assets began to attract customers. One of these customers, Safe Handling, Inc., a full-service bulk product transportation and toll processing company, located there during this time. This would not have happened without the rail spur, which has since come to serve countless other businesses as well as the Maine Intermodal Terminal.

The 35-acre Maine Intermodal Terminal facility opened in 1994 near the Auburn/Lewiston Municipal Airport, rail lines, the Maine Turnpike, and State highways, developed through a partnership between the state of Maine, the Auburn-Lewiston metro area, the Federal Highway Administration (FHWA) and SL&A. The FHWA's Congestion Management and Air Quality Improvement (CMAQ) program funded \$3 million of the \$5 million initial inter-



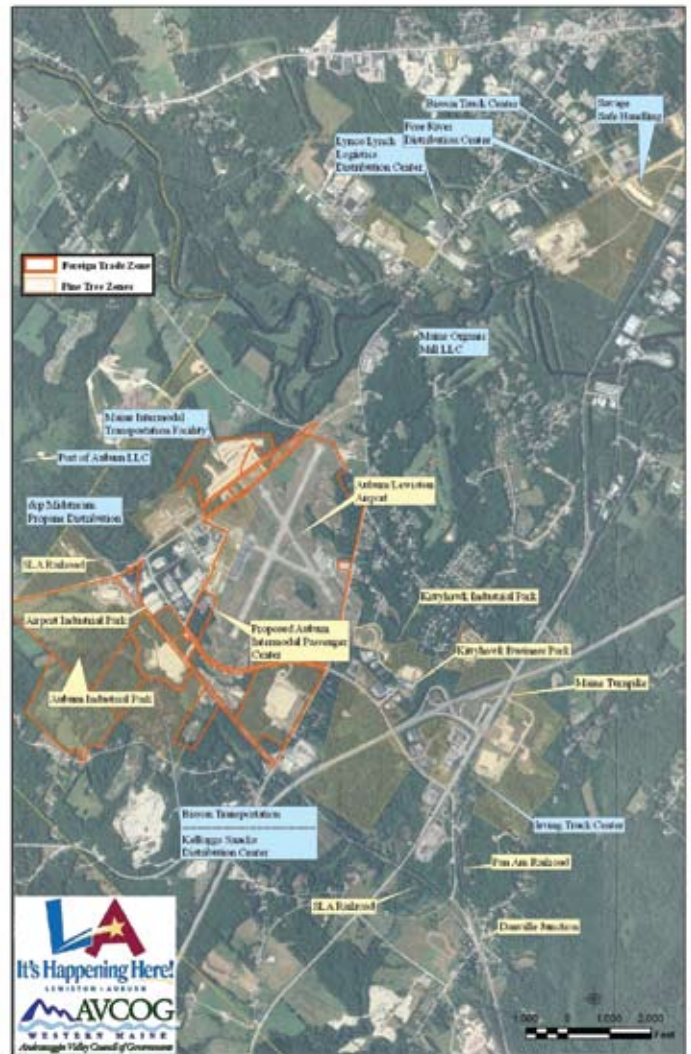
*SL&A trains in Auburn, Maine.*

Photo Credit: RR Picture Archives user Trey Holland

modal project cost, widely recognized as an innovative application of CMAQ funds. The project added parking and container storage, a weighing and freight-control operations center, a lift provided by the railroad, and improved track.

In the first year, 6,000 containers came through the facility, but 10,000 to 12,000 were needed to break even. According to Bob Thompson, Executive Director of the Androscoggin Valley Council of Governments (AVCOG), in 1995 a \$600,000 EDA grant and \$150,000 in local and state match funded upgrades to the Auburn-Lewiston line which feeds the intermodal facility. State bond funds dispersed in 1997 funded subsequent improvements.<sup>3</sup> This effort was a product of public-private partnership. Auburn had been paying attention to intermodal transportation and saw potential for an inland port. They conducted considerable background work, meeting with intermodal operators in Halifax and Montreal, and partnered with Grossman’s company, Emons Transportation, to do a market analysis. When the Intermodal Surface transportation Efficiency Act (ISTEA) passed in 1991, they finally had an opportunity to fund the project idea they had been developing with the CMAQ funds that came out of that legislation. Positive improvements in air quality were now directly linked to transportation, and the federal funding could be used in new ways to support projects.

Commitments from Emons and Canadian National brought the necessary pieces together to invest public money in a difficult financial environment.<sup>4</sup> Initially, there was little freight in the area—the developers tried to create buzz about the new intermodal container shipping opportunity, which was eventually picked up by the mainstream media. A marketing study found that Maine could justify one intermodal facility in the state, but other cities started pushing for their own intermodal facilities, wanting to take advantage of the apparent success in Auburn. As more facilities opened up in the state, it diluted the brand and none of the intermodal facilities were making money. Although Auburn is well-positioned to house a successful intermodal center, competing developments caused the facility to struggle, even to the verge of shut-down. Ultimately, the other intermodal facilities that were not as well-positioned closed instead and the original vision for the singular Auburn intermodal center to serve the entire state was realized.



Courtesy of AVCOG.

*Growth Council Map*

### **Achieving Freight Balance**

According to Matt Jacobson, current President and CEO of Maine and Company (a private, nonprofit business-recruiting organization), and former President and COO of SL&A, the initial need for the facility grew out of rail necessity. Railroads prefer to balance container shipments moving in each direction in order to avoid empty containers. There was good outbound demand from the paper mills in Maine (the state is the second largest paper producer in the country), but railroads aren’t interested in facilities that aren’t balanced. This can be a common issue in rural regions that may lack this necessary balance of imports and exports, but in Auburn’s case, connections to major metropolitan areas like Boston and Chicago helps to alleviate this problem: forming new relationships provides opportunities for balance by accessing nearby regions.<sup>5</sup> If containers cannot be filled in Auburn for a return trip, companies in other easily accessible areas can fill them instead. Locating a single intermodal center in a strategic location benefits the entire region by providing cost-effective access to freight solutions.



RR Picture Archives contributor Dan

### *Crossing from Auburn to Lewiston*

By 2001 there were 15,000 containers handled at the Maine Intermodal Terminal in Auburn and \$500,000 in additional CMAQ funds added even more storage space.<sup>6</sup> Jacobson points out that besides those companies that have moved to the region to directly utilize the intermodal terminal, still more have come to take advantage of the world-class freight and logistics capabilities that have developed around it. In conjunction, they “provide access to the world market—the impact is continuously realized and redefined,” he says. “A number of businesses are locating there all because they built capacity around the intermodal facility. Support businesses grew up around it.” Businesses relocating or expanding benefit from access to these services and infrastructure investments.

Since 2000, almost 1.4 million square feet of warehousing and distribution facilities have opened; Walmart’s 21-acre food distribution center, which opened in 2005, comprises half of the new square footage. As Maine’s largest distribution center, the Walmart facility distributes to Supercenters throughout northern New England and is one of Lewiston’s top-ten employers. Partnerships among the City of Lewiston, the Lewiston-Auburn Economic Growth Council and Maine and Company helped to facilitate the deal in the face of stiff competition with other communities. A collaborative effort and compelling local employment data indicating an available pool of loyal, efficient workers contributed to the deal.<sup>7</sup> This success story reflects the importance of public infrastructure investment and collaboration in bringing new businesses to a region, and is an indication of the centrality of the facility and distribution industry as assets in the regional economic strategy coordinated by AVCOG and its partners.

The attractiveness of the Auburn-Lewiston area was further enhanced when the Port of Auburn opened in 2004. This port designation is an amendment to the status in Portland, Maine that was granted to reflect the customs-controlled yard that now exists in Auburn, including the Maine Intermodal Terminal as well as the surrounding area. This expanded port jurisdiction was the solution to a business problem of dealing with an increasingly rigorous customs regime that developed after the tragedies of September 11, 2001. Operators at the Maine Intermodal Terminal had to find a way to handle customs on-site to make it easier for customers to get their freight. Project developers fought for the customs clearance through then-U.S. Senators Susan Collins and Olympia Snowe. Obtaining customs clearance was not an easy task, as adding another port designation would have been cost-prohibitive, but a creative solution emerged that utilizes part-time services of existing customs employees from nearby Portland.<sup>8</sup> The inland Port of Auburn now handles more tonnage than the sea ports in the state except Portland. In addition, the Maine Intermodal Terminal offers the only double stack rail service in northern New England, according to Genesee & Wyoming Inc., which owns the SL&A Railroad. Thanks to its location for intermodalism (as an intermediary between Canada and the northeast United States) and transportation assets, the 53,000-resident Lewiston-Auburn area is now a logistics hub. Rail access, proximity to the Maine Turnpike and a location within 30 minutes of half of Maine’s population have contributed to this development, as have the collaborative efforts of local economic development organizations and the cities.

Foreign trade zones (FTZs) provide special customs procedures and are considered to be outside of U.S. Customs Territory, especially benefitting firms that import components to manufacture finished products for export. Duty-free treatment of certain items and deferred duty payment help domestic industry compete with overseas producers.<sup>9</sup> The Pine Tree Development Zone, legislation introduced by Governor John Baldacci and passed in 2003, targets areas within the state of Maine, including Auburn-Lewiston, for economic development growth through tax incentives. These include 80 percent Employment Tax Increment Financing for ten years, 100 percent corporate income tax and insurance premium tax refund for five years, and sales and use tax exemptions for construction materials and equipment purchased for the zone.<sup>10</sup> This has been a resource used for numerous projects in Auburn, and recently these incentives were expanded statewide.

### Commitment to the Logistics Industry

The twin cities of Lewiston and Auburn have a tax-sharing district because of their proximity to the airport, and so have a long history of doing things jointly. Decades ago, city officials and economic development agencies identified and nurtured logistics as an emerging industry. They did so by investing in the rail-to-truck intermodal transfer facility and more recently through activities like achieving Foreign Trade Zone (FTZ) and Pine Tree Development Zone statuses that provide benefits for local businesses. Comprehensive plans are centered on infrastructure like the intermodal terminal and the airport. Effective use of zoning mechanisms has mapped out an industrial development center that helps to determine short-term and long-range development.

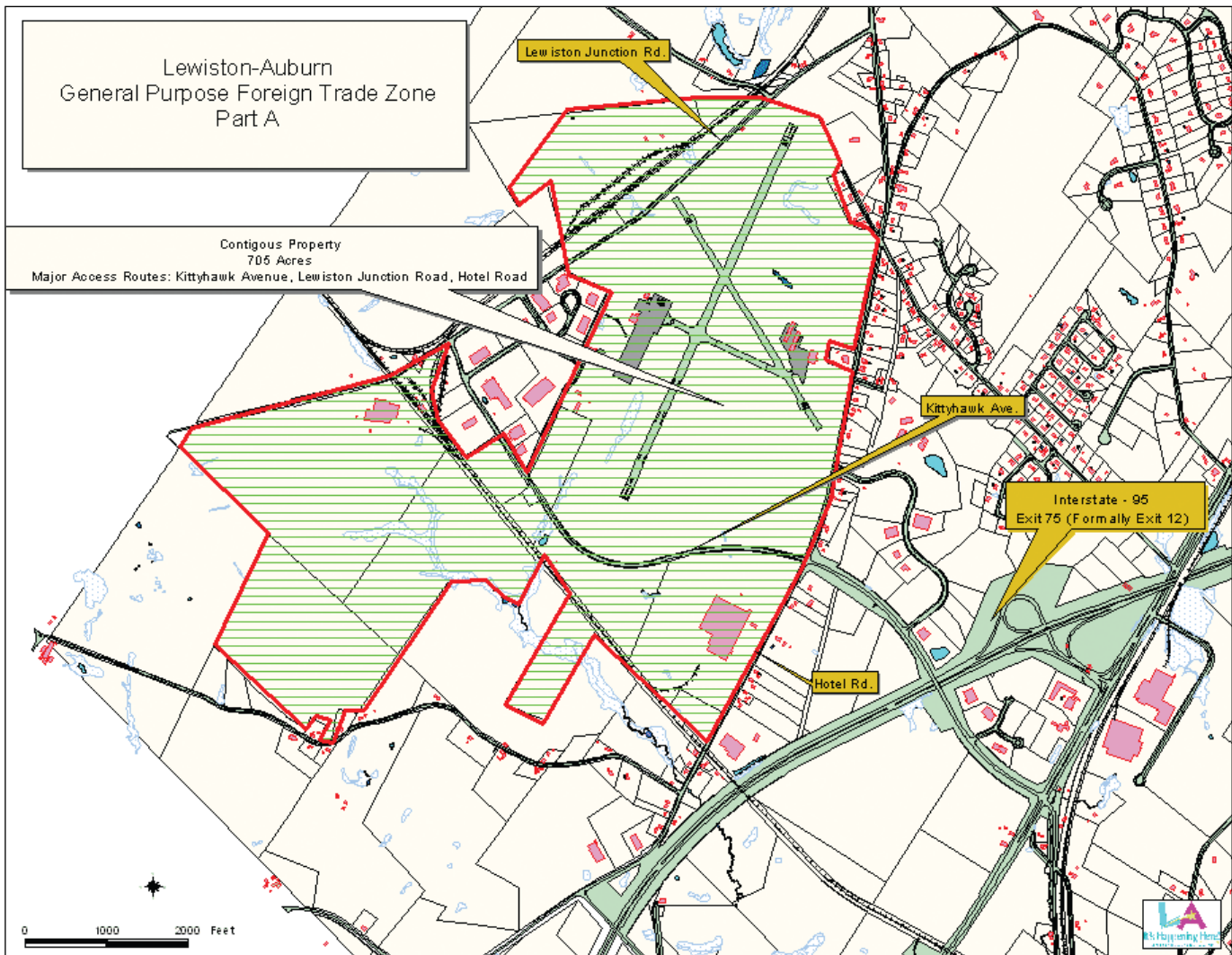
Cooperation and sustained investment have made the current regional transportation assets a reality. The community and local businesses have benefitted from the intermodal center, port designation and FTZ status. Several more local industrial parks have opened in the last decade, including the 80-acre Auburn Industrial park in 2006. Auburn is also home to the Auburn-Lewiston Airpark, opened in the 1980s and the Kittyhawk Industrial Park opened in the 1990s, both of which are located near the railroad, airport, and highway. Rail has re-emerged as a significant driver of regional economic development and job creation. In Auburn, 18 percent of the city's workforce is employed in the manufacturing sector and Auburn saw an increase of almost 450 jobs from 2003 to 2008, with

the largest increases in the transportation and utilities sector. The development of the intermodal facility undoubtedly influenced this increase.<sup>11</sup> In addition to the attractive local infrastructure assets described above, businesses also benefit from state assistance programs that understand the link between transportation infrastructure and economic development.

### Outlook for the Future

In the near future, secured funds amounting to \$3 million will be used to rebuild a mile of track on the back side of the intermodal facility that will open 300 acres for industrial development. The City of Auburn will build it using state bond money, and then lease it back to SL&A. Longer-term plans may add a passenger intermodal facility to relieve congestion, but it will take time to gain necessary capital even though there is adequate ridership. Recently an additional \$2 million in state bond funds have been used to purchase an underutilized section of rail connecting Yarmouth Junction to Danville Junction. This state ownership is important for future passenger line access to expand to the west and northwest.

Continued public infrastructure investment will further regional economic development in the years to come by expanding and utilizing regional assets. Jacobson has been involved in the developments in Auburn-Lewiston over the past two decades in varying capacities, and cites the long-term commitment of the people involved for its duration as the key to success. AVCOG, Auburn-Lewiston, Maine and Company, the railroads and others initially united out of admitted desperation during tough financial times after the loss of major shoe and textile industries that had previously sustained the region. With the shared goals of growing and revitalizing the local economy, they developed long-lasting partnerships with a sustained commitment to economic development in the region. Public-private partnerships have allowed for market-driven requests for resources made possible by advanced planning. As Roland Miller, City of Auburn Director of Community and Economic Development, explains, "We have never lost our focus on how important logistics are to our economic development future. This is still where we have a tremendous advantage. We need to market, use our capacity judiciously and create additional capacity." By working together, these partners developed assets and industries that serve businesses throughout the region, with benefits that extend even beyond state borders.



Courtesy of Lewiston-Auburn Economic Growth Council

### Auburn Free Trade Zone

#### Business Spotlight: Savage Safe Handling

In 1989, business owner Ford Reiche launched Safe Handling (which he sold to Savage in 2009) along the rail spur now a few miles from the intermodal center, taking advantage of the Maine Industrial Rail Access Program (IRAP), which pays 50 percent of the cost to build rail sidings. He says that rail access was the reason for choosing Auburn when he started his business.<sup>12</sup> Maine DOT's IRAP program encourages economic development and increased rail use with \$1,000,000 in state funds to pay up to half of estimated project costs for rail transportation enhancements.<sup>13</sup> Now called Savage Safe Handling, the headquarters in Auburn includes a 200-acre facility located three miles from the Maine Turnpike, 30 miles from Portland. The facility is made up of 35,000 square feet of temperature-controlled warehouse and office space, 65,000 square feet of central manufacturing facility, 9,000 square feet of stand-alone manufacturing facility, and six rail-to-truck transloading gantries.<sup>14</sup> In 2008, Ford Reiche was named MaineBiz Business Leader of the Year in the small-company category for his innovative business approach that effectively utilizes freight rail and has positive environmental impacts. Safe Handling began dry-to-wet transportation in 1997, receiving dry products from around the country and the world, mixing them into liquid products and shipping throughout Maine and the northeast. This innovative solution cut delivery costs in half and curbed emissions by up to 90 percent for his customers with shipping needs. In December 2007, Safe Handling became Maine's first ethanol terminal with a new 148-acre terminal in the Port of Auburn. Strategic location makes them the middleman between fuel suppliers in the Midwest and Canada and wholesalers in Maine.<sup>15</sup> With ingenuity and strategic location use, the company has been able to capitalize on the access to rail and port designation.

## Global III – Rochelle, Illinois

Chicago has long been a major freight destination and interchange point: almost 500 freight trains operate in the greater Chicago region every day. Interstate highway networks, long-range planning, and geographical position have all contributed to the success of this hub.<sup>16</sup> However, as rising gas prices have contributed to the growth of rail and intermodal shipping, Chicago area capacity has become stressed. Passenger vehicles compete with freight truck traffic on aging and insufficient highway infrastructure that did not keep pace with economic and population growth over time. In response to this congestion, several new facilities in the greater Chicago region have been built in the last decade, part of a national trend to site freight facilities in rural areas near major urban centers. One of these facilities is the Union Pacific (UP) Global III intermodal center in Rochelle, Illinois. As a major transportation hub where Burlington Northern Santa Fe (BNSF) and UP rail lines cross just 80 miles west of Chicago, Rochelle was ideally situated for the development of an inland port to help relieve congestion and open opportunities for economic development in the region. Like Chicago, Rochelle is conveniently located with access to multiple transportation modes, but without the congestion and competition for these resources experienced in the nearby metropolitan area. In addition to the rail junction, major roadways connect in Rochelle as well: east/west Interstate 88 and north/south Interstate 39 intersect with Illinois state routes 38 and 251, creating a convenient location for a rail-truck intermodal center. A container could be moved out of Rochelle to Green Bay,

Wisconsin and back in one day, whereas congestion in Chicago might prevent the load from even reaching Green Bay that day at all.

### Early Development

At first the railroads were uninterested in proposals from local parties to develop an intermodal facility, as they were concerned about close-range competition for freight loads. Eventually, however, they decided that building in Rochelle made economic sense. Few places could offer so much acreage and a switching point. The BNSF line from Seattle and the UP line from Los Angeles cross in Rochelle, so in 1998 the city built a short line railroad to provide switching service to both lines at no cost to the railroads. This investment was a first step in improving the city's freight infrastructure that helped make the later development of the intermodal facility possible. The City of Rochelle's railroad was intended to provide access to the city's industrial park, and was constructed with materials donated by the Chicago and Northern Transportation Company and state grants for infrastructure improvements. This public-private partnership was coordinated by the now retired Economic Development Director of the Greater Rochelle Economic Development Corporation (GREDCO), Ken Wise. In 2005, the city-owned short line was extended 9,900 feet for expanded access to UP and BNSF.<sup>17</sup> This further expansion reflects the success of the city's original investment in creating opportunities for continued economic development.



*BNSF train in Rochelle, Illinois.*

Photo Credit: flickr user contemplative imaging





Courtesy of IRE.

### *Illinois River Energy facility*

#### **Business and Job Growth**

Due to fee-less connection and switching paired with low-cost, municipally-owned utilities, Rochelle is an attractive place to locate for businesses with freight shipping needs. These city investments helped Rochelle take advantage of its location adjacent to major roadway and rail junctions. Twelve industries now utilize the city railroad, which gives equal access and still has room to expand even further. Cold food storage was the first industry to utilize these city services, with three frozen food companies utilizing 25 million cubic feet of space. Four thousand cars per year distribute frozen foods in Rochelle's major cold food storage facilities. Access to both railroads through the Rochelle Railroad short line spurred economic development by contributing to businesses' decisions to locate in Rochelle. As a result, the city has seen tremendous job growth in recent years, with the number of primary jobs recently growing 28 percent, from 4,087 jobs in 2004 to 5,223 jobs in 2008.<sup>18</sup> This increase is significant for a city in the prairie lands of northern Illinois with a population under 10,000. Rochelle is surrounded by a large regional labor pool which companies can utilize for both skilled and unskilled labor. Some of this recent job growth is attributed to the construction of UP's Global III facility, which takes advantage of Rochelle's strategic location and the convenience provided by existing infrastructure, including the city railroad.

#### **Overcoming Obstacles**

State Senator Bradley Burzynski and GREDCO's Ken Wise secured funding for a \$50,000 study of the potential impact of an intermodal center located in Rochelle

that helped to convince stakeholders that the project was worthwhile, although some local concerns still needed to be addressed. The city was concerned about the environmental impacts and did not want stacked containers to be visible. They approved the development on the condition that it did not become an eyesore. Because of this condition, the facility is hidden behind 30-foot berms and containers are not stacked—they are immediately put on chassis. Sensitivity to local concerns generated a solution that met the needs of those immediately affected by the facility's physical presence, side-stepping oft-troublesome "NIMBY" obstacles.

With these obstacles overcome, the facility was then built with \$181 million in private investment. Construction of the Global III inland port finished in 2003. The facility is built on 1,200 acres purchased by UP in the upper southwest quadrant of Rochelle, designed for 750,000 lifts per year with a maximum of one million. Center-point Properties managed the construction of Global III, working closely with UP, the City of Rochelle, the Illinois Department of Commerce and Economic Opportunity and the Illinois Department of Transportation (IDOT) to secure funding for public improvements around the site.<sup>19</sup> The project received federal and state funds, including a \$4.3 million grant from IDOT's Economic Development Program for roadway access, a \$3.3 million loan from IDOT's Rail Freight Program, and \$2.2 million from an Economic Development Administration (EDA) grant to fund water and sanitary sewer lines and roadway improvements.<sup>20</sup> Major roadway access means that trucks can get right on the highway with no need

to use local roadways and cause disruption to local traffic in downtown Rochelle. Existing public assets such as interstates and the Rochelle short line rail spur combined with major new public infrastructure investments to drive economic development with a notable regional impact.

### Economic Impact

A recent study of the economic impact within a 50-mile radius around the Global III facility revealed major positive effects on the surrounding region. It found that the facility resulted in over \$1 billion in capital investment, created 4,500 jobs, and added nine million square feet of industrial space in the UP facility.<sup>21</sup> With Rochelle emerging as an employment hub, the impact of these economic gains is regional and not merely local. As Ellen Burgeson, a Rockford, Illinois-based grant writer and consultant for community and economic development, points out, “The percentage of people working in Rochelle who live outside of Rochelle increased by 9.6 percent from 2002 to 2008, providing evidence that Rochelle is growing as a regional employment center. As of 2008, only 25.9 percent of all of the people working in Rochelle also lived in Rochelle.”

The inland port and the accompanying infrastructure investments are contributing to regional job gains in small rural areas while helping to alleviate congestion in nearby Chicago, and there is evidence that the full economic impact may just be getting started. Recently, the Global III facility has seen diverse users and cargos, including a pipe company that needed to offload 30 miles of pipe over an 18-month period, and other company distributing wind-mill components in a 400-mile radius around Rochelle.<sup>22</sup> For a rural region, it can be difficult to find resources to market the benefits of locating there, but the railroads continue to bring business. As word spreads about the available space and unique access to two major railroads, the railroads expect that businesses will continue to take advantage of the facility and continue to invest in the region.



*At the Rochelle Railroad Park.*



*Rail crossing.*

Theresa Wittenauer, Economic Development Professional at Blackhawk Hills Resource Conservation and Development Area (RC&D) says, “Rochelle has just continued to boom in a time of economic recession, and it can certainly be tied to the development of the intermodal facility.” The RC&D is an Economic Development Administration designated Economic Development District (EDD) for a six-county region including Ogle County, the jurisdiction encompassing Rochelle. Wittenauer elaborates about Rochelle and the Global III site: “They are sitting in a location that has immediate access to multiple, national transportation routes. It feeds directly into the region’s growing field of warehouse distribution and trucking, and that impacts a greater radius than just Rochelle or Ogle County. They are sitting on a gold-mine location and they know how to capitalize on it.”<sup>23</sup> The ability to maintain relationships with the public and private sectors, as well as with agencies that fund projects, allows the city and its partners to capitalize on its prime location and other attractive characteristics. Even during tough economic times, smart public investment fosters economic development, encourages private investment and creates jobs region-wide. Although many benefits are enjoyed in Rochelle because of Global III, the economic development impacts extend throughout the region.

Blackhawk Hills RC&D develops and implements the regional Comprehensive Economic Development Strategy (CEDS) in order to promote job growth and improve quality of life in the region.<sup>24</sup> A CEDS, which is required by the federal EDA to qualify for assistance, establishes regional goals and objectives and a regional plan of action, and identifies investment priorities and funding sources. To improve competitiveness of the site and bring further economic growth, several projects have been planned. The Blackhawk Hills RC&D 2008-2012 CEDS includes several projects related to expanding access to the intermodal facility in Rochelle, including a truck loop, a rail extension and an overpass. These projects reflect the regional importance of the Global III facility and demonstrate the opportunities surrounding areas have to benefit from the unique positioning and resources of the City of Rochelle. Although geographical factors and economic resources may prevent neighboring jurisdictions from replicating the success in Rochelle, the regional CEDS process and Blackhawk Hills RC&D encourage those in the six-county region to figure out how their communities can build on it. Industries and businesses in the region benefit from their proximity to the freight hub, so Global III has a positive impact on the surrounding areas beyond Rochelle.

The reach of the transportation network is vast, and other cities and counties can take advantage of their location along major interstate highways. For example, many distribution sites are located in Lee County along I-88, which has direct access to Rochelle and the facilities located there. Manufacturing has been on the decline, but truck traffic and warehousing have benefitted from the extensive distribution opportunities in the region. Businesses have located in the area or expanded operations because of existing highway infrastructure and the freight handling capacity added by the construction of the Global III inland port.<sup>25</sup> Job creation and economic development are experienced region-wide as communities take advantage of the Rochelle site and the regional transportation network of which it is a part. Identifying and utilizing regional assets is an essential element of successful regional economic development strategy. The lasting impact of projects like Global III in Rochelle extends far beyond the city borders.

### Business Spotlight: Illinois River Energy

Both public and private investments have contributed to the attractiveness of the Blackhawk Hills region. One successful business is Illinois River Energy (IRE), which operates a dry grind corn-to-ethanol plant in Rochelle that processes over 40 million bushels of corn per year. IRE has had a significant economic impact in Rochelle, bringing 60 new jobs with an annual payroll of approximately \$3 million. The company cites several key local features that brought them to Rochelle in 2006: the two major highways, two major railroads, the City of Rochelle's railroad spur that provides free switching and access to UP and BNSF, and municipally-owned utilities with reasonable rates. Rochelle's location amidst plentiful agricultural production ensures an adequate supply of inputs, as 300 million bushels of corn are grown annually within a 50-mile radius.<sup>26</sup> Location and public investments made in transportation infrastructure contribute immensely to the opportunities for business development. For IRE, the proximity of the facility to two major railroads made it possible to ship dry distiller's grains, a co-product of ethanol production used in livestock feed, in containers headed to the Pacific Rim. The container shipments and rail infrastructure allow IRE access to multiple end users. Additionally, the proximity of the facility to large fuel usage markets such as Chicago, Milwaukee and St. Louis further differentiates IRE from its competitors.<sup>27</sup> These opportunities improve IRE's bottom line and contribute to a better balance between imports and exports.<sup>28</sup>



# Northern Plains Commerce Center – Bismarck, North Dakota

The Northern Plains Commerce Center (NPCC) in Bismarck, ND is a 243-acre industrial, distribution and technology park. The NPCC transload facility offers rail access, trucking, storage and warehousing services to rail- and non-rail served businesses in the region. Supply chain management services combine with these other offerings to provide businesses with new opportunities to take advantage of rail for long hauls, allowing for cost savings, business expansion and increased market access. As a transload facility, the NPCC provides access to the equipment and personnel necessary to load freight from railcar to truck or truck to railcar. The facility is owned by the City of Bismarck and operated by Mallory Alexander International Logistics, a third-party logistics (3PL) provider specializing in contract warehousing, freight forwarding, custom brokerage, import/export services, logistics services and consulting.

The site is located near Interstate 94 and State Route 83, adjacent to the Bismarck airport.<sup>29</sup> Shovel-ready sites with existing rail, road, water and sewer infrastructure already in place make it easy to site potential business clients, according to NPCC General Manager Cathy Spencer. Today, her company works with the state and the Bismarck-Mandan Development Association (BMDA) to recruit new businesses.<sup>30</sup> The BMDA is a private, nonprofit economic development corporation serving the cities of Bismarck and Mandan, which are located adjacent to one another on either side of the Missouri River. The NPCC facility provides services and opportunities for expansion to businesses already in the region, and also contributes to the attractiveness of the area for companies considering operations there. The NPCC is served by Canadian Pacific Railway and the BNSF and is a part of the BNSF Premier Transload Network of facilities providing origin and destination services for rail customers nationwide.<sup>31</sup> Although now serving various businesses, the facility was first designed specifically to benefit regional international shippers.

## Establishing Intermodal Service

In 2005, Bobcat Company was considering expanding its facilities in Bismarck. They needed intermodal service for international shipments, but at the time North Dakota did not have these services available anywhere in the state. Bobcat Company approached the City of Bismarck and the BMDA about possible expansion, eventually striking a deal to expand in Bismarck by utilizing 10 acres of a



Photo Credit: flickr user k.landerholm.

## Northern Pacific Railroad Bridge in Bismarck, North Dakota.

city-owned 243-acre site with opportunity for rail access. The city had been working on a master plan for a commerce center, explains City Administrator Bill Wocken, “trying to figure out what needs it would serve and how it would work. The city had acquired property for industrial development and had been examining freight and transportation needs. Bobcat’s needs brought the issue to the forefront.” Thus the NPCC was born as an industrial park and intermodal transportation facility to handle Bobcat’s overseas shipments. Public funding came from a variety of sources, including: \$1,126,449 in EDA grants for water and sewer utility infrastructure and grading; North Dakota DOT-funded roadway connection of the I-94 Bismarck Expressway for truck traffic from a \$2 million grant over five years; North Dakota DOT operational feasibility study grant of \$125,000; sales tax proceeds grant of \$4 million for infrastructure development; and \$8.2 million in primary local financing from the city’s Vision Fund, a sales tax revenue-based funding source for economic development projects.<sup>32</sup>

The new facility opened in 2008 and operated intermodal service for 18 months, but Bobcat felt the effects of the slowing economy and lacked adequate import and export volumes to sustain intermodal operations. Bobcat Company eventually ended its shipping contract and in 2009 announced closure of one of their plants, shedding 475 manufacturing jobs. However, North Dakota’s pro-business climate and the City of Bismarck’s cooperation in developing the NPCC facilitated Bobcat’s continued operations in several Bismarck facilities, including their



Photo Credit: flickr user reverendkommisar.

### *Lumber truck.*

100,000-square foot manufacturing support facility located in the NPCC with over 100 employees. Bobcat also maintains a research and development team in Bismarck with approximately 150 employees, taking advantage of Bismarck's engineers and other workforce assets, available due to the educated local workforce and four colleges located there. Bobcat may have stimulated the development of the state's first public intermodal facility, but with 60,000 residents, the city is not reliant on just one company and the NPCC remains a regional asset.

### **Transition to Carload Service**

In addition to the 3PL service provider and Bobcat, the facility's current tenant list also includes Mains Crane USA: a crane, rigging and transportation business that began leasing space in early 2010. With their 3,300 square feet of office and shop space and 22,500 square feet of rail yard, Mains Crane provides some freight unloading services under contract with the city.<sup>33</sup> Mallory Alexander has continued marketing the NPCC and its five-acre rail yard to other businesses. Rail- and non-rail served industrial sites of varying sizes are available. Rail carload service is now transporting lumber, rebar, steel, and some liquid bulk, among other cargos. These industries and companies take advantage of the carload service from off-site, utilizing the nearby highways and roads with heavy haul capacity.

Businesses have expanded because of the transload services and access to rail which they did not have previously. Although the NPCC initially provided containerized intermodal service, as BMDA Director of Business Development Brian Ritter explains, "It is difficult to get intermodal service started—international containers require a balance of imports and exports, so it is high-risk when only a few companies and limited markets are served by the intermodal."<sup>34</sup> Although Bobcat's manufacturing shutdown ceased international container shipments from



Photo Credit: flickr user Bengt 1955.

### *Transloading.*

the facility, the carload feeder service now offered at the facility still has some international loads from Mexico and Canada. The facility's transport of rebar and pipe by the oil and construction industries highlights the way in which rail access contributes to regional industry. The economy in North Dakota is diverse, and Bismarck's economy is built on three major industries: government (the state capital), medical (two hospitals), and energy (oil, coal, and emerging wind energy potential). These industries are fairly stable, and this diversity insulates the area from the peaks and valleys of the nation's economic cycle.<sup>35</sup> The energy industry in North Dakota utilizes the access to rail through pipe shipments for the oil industry and 38 trains come through the coal rail line every day.

### **Long-Term Investment and Future Growth**

Economic development organizations continue to use the NPCC to help market the area and attract business as well as encourage business expansion, says Brent Ekstrom, Director of Commercial Lending for Lewis and Clark Regional Development Council. Decreased property taxes and government offerings like public finance sources have made Bismarck an attractive place for companies to locate. A largely rural state, North Dakota enjoys a miniscule unemployment rate of 3.8 percent, the nation's lowest.<sup>36</sup> Creating a vibrant economy that can weather the storm of downturn depends on recognizing regional assets, growing targeted industries that make use of existing resources, and creating a pro-business climate supported by government policy and strong workforce. Facilities like the NPCC play a role in this economic development strategy by providing opportunities for development and expansion through rail access, storage and services for efficient distribution. As in Bismarck and North Dakota as a whole, diversification ensures continued vitality in spite of broader economic woes. "The significance of the [Northern Plains Commerce] Center is long-term," Ritter emphasizes. "It is a community asset, but we don't expect



it to fill up overnight.” Successful economic development strategies include long-term investment in infrastructure that can adapt to regional business needs as they evolve. Bismarck’s NPCC is an example of how the public sector can facilitate this kind of investment that creates new regional assets and opportunities for growth. The original site selection was made in order to take advantage of truck, rail and air capacity, so expanded services in the

future are likely to include the adjacent Bismarck airport. The future uses of the facility will become clearer as the national economy recovers, but the NPCC has experienced dramatic increases in interest in the last year. A hopeful sign of good things to come, companies are waiting in line to jump on opportunities to locate there, and the NPCC is already worrying about managing the fast growth they expect to ensue.

For more information about the regional development organizations serving the regions profiled here, visit the following websites:

#### **Maine**

**Androscoggin Valley Council of Governments**

[www.avcog.org](http://www.avcog.org)

#### **Illinois**

**Blackhawk Hills Resource Conservation and Development Area**

[www.blackhawkhills.com](http://www.blackhawkhills.com)

#### **North Dakota**

**Lewis and Clark Regional Development Council**

[www.lewisandclarkrdc.org](http://www.lewisandclarkrdc.org)

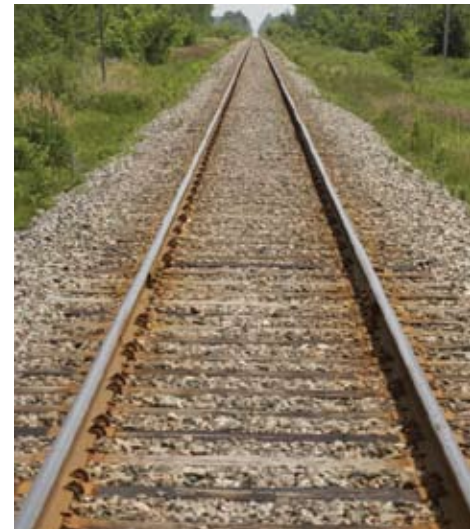
### **About the NADO Research Foundation**

Founded in 1988, the NADO Research Foundation is the nonprofit research affiliate of the National Association of Development Organizations (NADO). The NADO Research Foundation identifies, studies and promotes regional solutions and approaches to improving local prosperity and services through the nationwide network of regional development organizations. The Research Foundation shares best practices and offers professional development training, analyzes the impact of federal policies and programs on regional development organizations, and examines the latest developments and trends in small metropolitan and rural America. Most importantly, the Research Foundation is helping bridge the communications gap among practitioners, researchers, and policy makers.

This report was researched and written by NADO Research Foundation Graduate Fellow Tiffany Mease, with guidance from Deputy Executive Director Laurie Thompson, Senior Program Manager Carrie Kissel and Program Manager Kathy Nothstine. Graduate Fellow Claire Gron provided editorial assistance. We thank all the individuals who provided information and photographs and those who consented to be interviewed. This material is based upon work supported by the Federal Highway Administration (FHWA) under Agreement No. DTFH61-06-H-00029. Any opinions, findings and conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the views of FHWA or the NADO Research Foundation.

# Endnotes

- 1 AASHTO. July 2010. "Transportation Reboot: Unlocking Freight." [http://expandingcapacity.transportation.org/unlocking\\_freight/images/FreightReportFinal\\_7710.pdf](http://expandingcapacity.transportation.org/unlocking_freight/images/FreightReportFinal_7710.pdf).
- 2 City of Auburn. 2008. "Auburn Comprehensive Plan Update: Local Economy Inventory." <http://www.auburn-maine.org/vertical/Sites/%7BAE7B40C4-E913-4A46-9E65-09C47DDA640F%7D/uploads/%7BDA81BAEE-C058-4F04-AAA7-C012E777301E%7D.PDF>.
- 3 E-mail communication with Bob Thompson, Executive Director, Androscoggin Valley Council of Governments (April 4, 2011).
- 4 Phone interview with Roland Miller, Director of Community and Economic Development, Lewiston-Auburn Economic Growth Council (April 11, 2011).
- 5 Phone interview with Matt Jacobson, President and CEO, Maine and Company (April 6, 2011).
- 6 Federal Highway Administration. CMAQ: Advancing Mobility and Air Quality: Intermodal Freight Transfer Facility – Auburn, Maine. [http://www.fhwa.dot.gov/environment/air\\_quality/cmaq/research/advancing\\_mobility/03cmaq04.cfm](http://www.fhwa.dot.gov/environment/air_quality/cmaq/research/advancing_mobility/03cmaq04.cfm).
- 7 Lewiston-Auburn Economic Growth Council. Wal-mart Distribution Center. <http://economicgrowth.org/our-work/featured-project/walmart-distribution-center/>.
- 8 Phone interview with Matt Jacobson.
- 9 MacLeod, Ian. June 2000. "Foreign Trade Zones." Trade Information Center, Trade Development. <http://ia.ita.doc.gov/ftzpage/tic.html>.
- 10 Maine Department of Economic and Community Development, Pine Tree Development Zones. Office of Business Development. [http://www.maine.gov/dec/d/mainebiz/pine\\_tree\\_zones/index.shtml](http://www.maine.gov/dec/d/mainebiz/pine_tree_zones/index.shtml).
- 11 City of Auburn, 2008.
- 12 Harkness, Seth. November 17, 2008. "Lewiston-Auburn grows as logistics hub." Mainebiz Online. <http://www.mainebiz.biz/news43727.html>.
- 13 Maine DOT. Industrial Rail Access Program. Office of Freight Transportation. <http://www.maine.gov/mdot/freight/irap.php>.
- 14 Savage Safe Handling. Locations: Auburn, Maine Headquarters. <http://www.savagesafehandling.com/Locations/auburn.php>.
- 15 Mainebiz. March 24, 2008. "The 2008 Business Leaders of the Year." <http://www.mainebiz.biz/news12610.html>.
- 16 Cambridge Systematics, Inc. June 30, 2010. "Regional Freight System Planning Recommendations Study." Prepared for the Chicago Metropolitan Agency for Planning. <http://www.cmap.illinois.gov/freight-system-planning>.
- 17 City of Rochelle. September 1, 2005. News Release: Rochelle Railroad (RR&R) Extension Announced. [http://www.gredco.rochelle.net/rel\\_detail.aspx?ID=8](http://www.gredco.rochelle.net/rel_detail.aspx?ID=8).
- 18 Email communication with Ellen Burgeson (December 9, 2010).
- 19 CenterPoint Properties Website. <http://www.centerpoint-prop.com>.
- 20 AASHTO. Financing Freight Improvements, 3.0 Case Studies of Freight Financing. <http://ops.fhwa.dot.gov/freight/publications/freightfinancing/sect3.htm>.
- 21 Phone interview with Jason Anderson, Economic Development Director, Greater Rochelle Economic Development Corporation (GREDCO), City of Rochelle. (November 17, 2010).
- 22 Ibid
- 23 Email communication with Theresa Wittenauer, Economic Development Professional, Blackhawk Hills Resource Conservation and Development Area (RC&D). (January 20, 2011).
- 24 Economic Development Professional at Blackhawk Hills Resource Conservation and Development Area (RC&D) Website. <http://www.blackhawkhills.com>.
- 25 Phone interview with Theresa Wittenauer, Economic Development Professional, Blackhawk Hills Resource Conservation and Development Area (RC&D) (February 3, 2011).
- 26 Illinois River Energy, LLC. About Us. <http://www.illinoisriverenergy.com>. (January 12, 2011).
- 27 Email communication with Neal Jakel, General Manager, Illinois River Energy, LLC. (February 3, 2011).
- 28 For additional general information see Illinois Department of Commerce and Economic Opportunity. December 2006. "Capitalizing on containers: assessment of an agricultural development opportunity for Northern Illinois." Report to the City of Rochelle. <http://www.gredco.rochelle.net/DCEOstudy.pdf>.
- 29 Northern Plains Commerce Centre Website. <http://www.npccbismarck.com>.
- 30 Phone interview with Cathy Spencer, General Manager, Northern Plains Commerce Centre. (February 7, 2011).
- 31 Bismarck-Mandan Development Association. FAQs. <http://www.bmda.org/npcc/faqs.asp>.
- 32 Phone interview with Bill Wocken, City Administrator, City of Bismarck. (February 10, 2011).
- 33 Eckroth, Leann. April 4, 2010. "Mains Crane USA to use Northern Plains Commerce Center." The Bismarck Tribune. [http://bismarcktribune.com/news/local/govt-and-politics/article\\_48191786-4774-11df-9d81-001cc4c03286.html](http://bismarcktribune.com/news/local/govt-and-politics/article_48191786-4774-11df-9d81-001cc4c03286.html).
- 34 Phone interview with Brian Ritter, Director of Business Development, Bismarck-Mandan Development Association. (February 9, 2011).
- 35 Ibid
- 36 U.S. Bureau of Labor Statistics. December 2010. Unemployment Rates for States. <http://www.bls.gov/web/laus/laumstrk.htm>.



**NADO**  
NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS  
RESEARCH FOUNDATION

REGIONAL STRATEGIES. PARTNERSHIPS. SOLUTIONS.

400 North Capitol Street, NW, Suite 390, Washington, DC 20001  
202.624.7806 Tel  
Info@nado.org  
Nado.org  
RuralTransportation.org