



Martin
Associates

2012

ECONOMIC IMPACT STUDY OF THE PORTS OF INDIANA

EXECUTIVE SUMMARY

Prepared by Martin Associates – May 2012

Based on economic data and cargo shipments from the 2011 calendar year
This report provides an update to the comprehensive analysis conducted in 2010.

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Martin Associates was retained by the Ports of Indiana to measure the local, regional and state economic impacts generated by maritime and industrial activity at the Port of Indiana-Burns Harbor, Port of Indiana-Jeffersonville and Port of Indiana-Mount Vernon. Economic impacts generated at the cargo and industrial facilities include the impacts generated by steel products, cement, coal/coke, fertilizer, grain/soybean products, project cargo, limestone, as well as other dry and liquid bulk cargoes. Companies included in the economic impact analysis operate facilities at Indiana's ports and have a significant connection with port businesses, facilities or harbor operations. For the purpose of this study, "port companies" are defined as those companies which have one of the following business connections to Indiana's three ports:

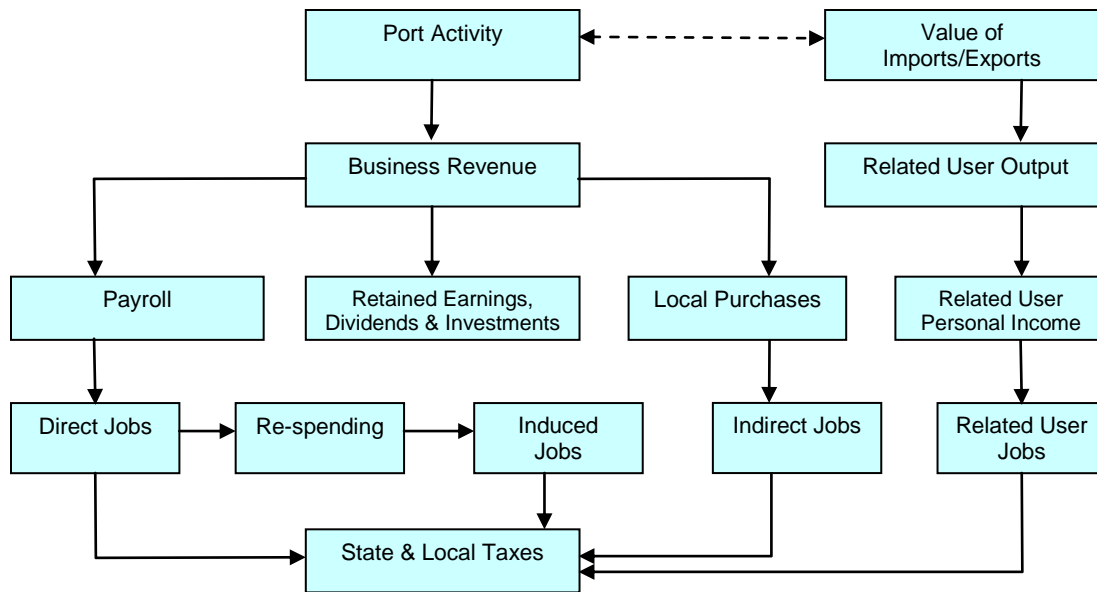
- They lease property from the Ports of Indiana;
- They own real property and operate a facility within the general footprints of the ports or federal harbor;
- They lease and operate a facility on property owned by another company within the general footprints of the ports or federal harbor;
- They operate a facility on subleased property from a company that leases from the Ports of Indiana; or
- They occupy port-owned facilities under an operating agreement with the ports.

The analysis did not include non-operating property owners on the ports and some other companies which have contractual business agreements with the Ports of Indiana but do not have a significant connection with port businesses, facilities or harbor operations.

This study focuses on impacts generated in the 2011 Calendar Year. Impacts are estimated in terms of jobs, personal earnings, business revenue, and state and local taxes. In addition to the baseline impact estimates, computer models specific to each terminal operation have been prepared that can be used in evaluating the sensitivity of impacts to changes in tonnage, labor productivity, labor work rules, commodity mix, inland origins/destinations of commodities and vessel size.

Exhibit E-1 on the following page graphically demonstrates how port activity impacts the local and regional economies. As this exhibit indicates, the cargo and vessel activity initially generate business revenue to the firms supplying maritime services. This revenue is used to purchase employment (direct jobs) to provide the services, to pay stockholders and for retained earnings, and to purchase goods and services from local firms, as well as national and international firms (creating indirect jobs with these firms). Businesses also pay taxes from the business revenue.

Exhibit E-1 Flow of Economic Impacts of Port Activity through the Economy



The employees hired by the firms receive wages and salaries (personal income), a portion of which is saved, while another portion is used to buy goods and services such as food, housing, clothing, health care, etc. These purchases create a re-spending impact throughout the economy, known as the personal income multiplier. As a result of these local purchases, additional jobs (known as induced jobs) are created in the local economy. Finally, taxes are paid by individuals employed with the firms providing the services to the port terminals.

As demonstrated by this chart, four categories of impacts are measured:

- Jobs;
- Employee earnings;
- Business revenue; and
- State and local taxes.

With respect to jobs, four types of job impacts are measured. These are direct, induced, indirect and related jobs. The job impacts are defined as follows:

- Direct jobs are those jobs with local firms providing support services to the port. These jobs are dependent upon this activity and would suffer immediate dislocation if the port activity were to cease. Port direct jobs include jobs with railroads and trucking companies moving cargo to and from the Ports of Indiana maritime terminals, members of the International Longshoremen's Association (ILA), International Union of Operating Engineers, International Brotherhood of Teamsters and United Steelworkers, steamship agents, government, ship chandlers, warehouse operators, terminal operators, stevedores, etc.
- Induced jobs are jobs created locally and throughout the regional economy due to purchases of goods and services by those directly employed. These jobs are with grocery

stores, the local construction industry, retail stores, health care providers, local transportation services, etc., and would also be discontinued if port activity were to cease.

- Indirect jobs are those jobs generated in the local economy as the result of local purchases by the firms directly dependent upon port activity. These jobs include jobs in local office supply firms, equipment and parts suppliers, maintenance and repair services, etc.
- Related user jobs are held throughout the state with manufacturing and wholesale and retail distribution firms using the port terminals for the shipment and receipt of cargo. **Related jobs are not dependent upon the port marine terminals to the same extent as are the direct, induced and indirect jobs.** It is the demand for the final products, which creates the demand for the employment with these shippers/consignees, not the use of a particular port or maritime terminal, and therefore these firms can and do use other ports.

The employee earnings consist of wages and salaries and include a re-spending effect (local purchases of goods and services by those directly employed), while business revenue consists of total business receipts by firms providing services in support of the port activity. State and local taxes include taxes paid by individuals dependent upon the port activity.

This update summary is based on interviews conducted in 2009-2010 with 124 firms providing services to the cargo and vessels/barges handled at Ports of Indiana's terminals as part of the initial 2009 study for the Ports of Indiana. These 124 firms represent 99 percent of the firms in the Ports of Indiana's port community, underscoring the defensibility of the study. Furthermore, the impacts can be traced back to the individual firm. The data collected from these interviews is used to develop operational models of the terminals located at each of the Ports of Indiana facilities. The 2011 update includes data provided by the Ports of Indiana including employment for all port companies, tonnage figures for waterborne, rail and truck cargo and capital expenditures.

The 2011 economic impacts generated by the Ports of Indiana facilities are summarized in Exhibit E-2.

Exhibit E-2 - Local and Regional Economic Impacts Generated by Ports of Indiana 2011*

CATEGORY	BURNS HARBOR	JEFFERSONVILLE	MOUNT VERNON	TOTAL
JOBS				
DIRECT	6,245	2,258	1,279	9,783
INDUCED	8,723	2,599	1,462	12,783
INDIRECT	7,659	2,186	717	10,563
RELATED USER JOBS	9,959	5,055	3,434	18,448
TOTAL JOBS	32,587	12,098	6,892	51,577
PERSONAL INCOME				
DIRECT	\$286,671,918	\$83,259,814	\$46,778,736	\$416,710,468
INDUCED	\$974,512,518	\$283,033,413	\$159,019,635	\$1,416,565,566
INDIRECT	\$318,833,617	\$100,403,213	\$29,290,587	\$448,527,417
RELATED USER INCOME	\$365,356,207	\$128,780,989	\$81,801,389	\$575,938,585
TOTAL PERSONAL INCOME	\$1,945,374,260	\$595,477,430	\$316,890,347	\$2,857,742,037
VALUE OF ECONOMIC ACTIVITY				
BUSINESS SERVICES REVENUE	\$3,267,353,922	\$584,550,290	\$245,790,625	\$4,097,694,836
RELATED USER OUTPUT	\$1,053,360,457	\$702,708,960	\$524,103,525	\$2,280,172,943
TOTAL VALUE OF ECONOMIC ACTIVITY	\$4,320,714,379	\$1,287,259,250	\$769,894,150	\$6,377,867,779
LOCAL PURCHASES	\$605,550,369	\$242,640,886	\$47,117,431	\$895,308,687
STATE & LOCAL TAXES				
DIRECT, INDUCED AND INDIRECT	\$150,101,715	\$44,336,162	\$22,333,451	\$216,771,328
RELATED USER TAXES	\$34,708,840	\$12,234,194	\$7,771,132	\$54,714,166
TOTAL STATE AND LOCAL TAXES	\$184,810,555	\$56,570,356	\$30,104,583	\$271,485,494

* Totals may be rounded.

The vessel, barge and cargo activity at the Ports of Indiana facilities generated the following estimated impacts in the regional and state economy in 2011:

- **51,577 jobs in the region are in some way related to the cargo and industrial activity at the Ports of Indiana facilities. By an order-of-magnitude comparison, this job figure can be compared to the population of Indiana cities such as Elkhart or Kokomo. Of the 51,577 total jobs:**
 - **9,783 direct jobs** are generated by the vessel and barge activity the three ports.
 - As the result of local and regional purchases by those 9,783 individuals holding the direct jobs, an additional **12,783 induced jobs** are supported in the regional economy.
 - **10,563 indirect jobs** are supported by \$895.3 million of local purchases by businesses supplying services at the terminals and by businesses dependent upon Ports of Indiana facilities for the shipment and receipt of cargo.
 - The inbound and outbound cargo moving via Ports of Indiana facilities supports **18,448 related user jobs** with the state's manufacturing, farming, retail,

wholesale and distribution industries, and the in-state industries supporting the movement and distribution of all commodities using the port terminals for shipment and receipt of cargo.

- **Approximately \$2.9 billion of wages and salaries were generated by Ports of Indiana cargo and industrial activity in 2011.**
 - **\$416.7 million of direct wages and salaries** were received by those 9,783 directly employed.
 - As a result of re-spending this direct job holder income, an **additional \$1.4 billion of income and consumption expenditures were created** and supported the 12,783 induced jobs.
 - The 10,563 indirect job holders received **\$448.6 million of indirect wages and salaries**.
 - The 18,456 related user job holders generated **\$575.9 million in personal income**.
- **The 2011 cargo and industrial activity at the Ports of Indiana generated \$6.4 billion in economic value to the State of Indiana.**
 - Businesses providing services to the cargo terminals as well as the industrial tenants and revenue from tenant and on-site dependent shippers and consignees **totaled \$4.1 billion**.
 - In addition, the cargo activity at the Ports of Indiana created an additional **\$2.3 billion of related economic output** in the state, the majority of which is created by the movement of grain, fertilizer, steel, coal and other dry bulk cargo, and the in-state industries supporting these industries.
- Local businesses and suppliers to the cargo industry and port companies made **\$895.3 million of local purchases**.
- **\$271.5 million of state and local taxes** were generated by activity at the cargo industry and port companies throughout the state.

The methodology used to estimate the economic impacts generated by the Ports of Indiana in this 2011 update is identical to the methodology used to estimate the economic impacts in 2010 (based on 2009 data), and therefore, direct comparisons can be made.

Exhibit E-3 - Comparison of Ports of Indiana Impacts 2009-2011

CATEGORY	2009 TOTAL	2011 TOTAL
JOBS		
DIRECT	8,129	9,783
INDUCED	10,624	12,783
INDIRECT	8,619	10,563
RELATED USER JOBS	16,372	18,448
TOTAL JOBS	43,744	51,577
PERSONAL INCOME		
DIRECT	\$346,339,691	\$416,710,468
INDUCED	\$1,177,347,147	\$1,416,565,566
INDIRECT	\$366,158,046	\$448,527,417
RELATED USER INCOME	\$490,679,797	\$575,938,585
TOTAL PERSONAL INCOME	\$2,380,524,681	\$2,857,742,037
VALUE OF ECONOMIC ACTIVITY		
BUSINESS SERVICES REVENUE	\$3,336,544,884	\$4,097,694,836
RELATED USER OUTPUT	\$2,081,066,635	\$2,280,172,943
TOTAL VALUE OF ECONOMIC ACTIVITY	\$5,417,611,518	\$6,377,867,779
LOCAL PURCHASES	\$731,859,311	\$895,308,687
STATE & LOCAL TAXES		
DIRECT, INDUCED AND INDIRECT	\$177,645,419	\$216,771,328
RELATED USER TAXES	\$46,123,901	\$54,714,166
TOTAL STATE AND LOCAL TAXES	\$223,769,320	\$271,485,494

Totals may not add due to rounding

Increases in employment, capital investment and shipping volumes at all three of Indiana's public ports were key factors in the economic growth experienced by the ports between 2009 and the current study data from 2011. Overall, the Ports of Indiana handled an 8 percent increase in maritime shipments between 2009 and 2011, and experienced an 18 percent increase in economic activity and employment. Based on 2011 operations, business activities at Indiana's three ports generated \$6.38 billion in annual economic impact and supported 51,577 in total jobs. Similarly, personal income generated from port operations increased by 25 percent to \$1.9 billion annually while the amount of state and local taxes increased 26 percent to \$185 million per year.

The Port of Indiana-Burns Harbor handled a 56 percent increase in ship tonnage and 75 percent increase in barge tonnage in 2011 compared to 2009. There were also significant increases in port traffic – a 38 percent increase in ship calls, an 83 percent in barges handled and a 74 percent increase in railcar traffic. Shipments of almost all major cargoes increased significantly from 2009 to 2011, including coal, steel, limestone, coke, minerals, oils and project cargo. Maritime steel tonnage nearly doubled, which was a major driver for increases in employment and economic activity because steel shipments create more cargo-handling and related user jobs than other cargoes. Direct jobs at port companies increased by 23 percent as voluntary layoffs

precipitated by the severe economic conditions ended and plant operations increased. Additionally, more than \$23 million in capital expenditures were invested into port infrastructure and facility expansions since 2009. The total value of economic activity at the port increased by 24 percent to \$4.3 billion per year, and total employment increased 26 percent to over 32,000 jobs.

The Port of Indiana-Jeffersonville handled a 4 percent increase in barge shipments over the same period, with significant increases in steel, fertilizer and road salt. The port also handled a 70 percent increase in railcar traffic, which jumped from nearly 9,000 cars per year to more than 15,000 in 2011. Since 2009, direct employment increased by 20 percent and more than \$30 million was invested into port infrastructure and port company facilities. The total value of annual economic activity at the Jeffersonville port increased by 10 percent from 2009 to 2011, and is now nearly \$1.3 billion per year. Employment related to port operations increased by 17 percent, bringing the 2011 total to more than 12,000 jobs.

The Port of Indiana-Mount Vernon experienced significant economic growth during the period between 2009 and 2011, but shifts in various cargo flows created a mixed bag of economic impact indicators. The port handled a 3 percent increase in cargo shipments by all modes, but experienced a 5 percent decrease in maritime shipments due to decreases in grain, steel and coal movements by water. Since 2011, Aventine opened Indiana's largest ethanol at the port, Consolidated Grain & Barge started up a new rail-to-barge loading operation for ethanol shipments and Crop Production Services opened a new fertilizer distribution facility. Over \$50 million was invested into port infrastructure and port company facilities between 2009 and 2011, and direct employment increased 11 percent to almost 1,300 jobs. The new ethanol plant drastically changed the port's cargo flows with more grain coming in by truck and large volumes of ethanol and DDGs going out via barge and rail. In 2009, the port also handled an extraordinarily high volume of steel shipments – more than half of the total steel shipments handled in the last five years combined. Since steel shipments generate such a high number of related user jobs, the 2011 report shows a slight decrease (1 percent) in total jobs supported by the port, which was a limiting factor to the port's economic impact growth. The total value of economic activity at the port increased by 3 percent from 2009 to 2011 to \$895 million per year and the total number of jobs created by port operations was 6,900.