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The Role of Transportation in Economic Development

Thank you for inviting me to speak at the Transportation Forum. I am here to talk about the very direct tie between transportation and economic development.

Economic development is what the Kentucky Chamber is all about. Our mission is to produce the best possible business climate here in Kentucky. Good roads, good airports, and adequate river transportation are keys to Kentucky's economic growth. That's why the Kentucky Chamber supported the recent gas tax increase. And that's why transportation is included in our priorities in our Project 21, which is a long-range growth plan for the Commonwealth of Kentucky.

My presentation today will include three basic parts: first, I'll answer the question: Is transportation important to business and economic development? Second, I'll talk about some reasons we are concerned about Kentucky's commitment to transportation improvement. And third, I'll talk about keys for the future.

Regarding the basic question: Is transportation important to Kentucky business? Absolutely! You bet it is! It actually goes back to Rome. The Romans understood that infrastructure development was the key to economic growth and so they built roads. Maybe it even goes back further than that, economic development started with the dawn of civilization at the confluence of the Tigris and Euphrates Rivers.

Today, 20 cents of every \$1 of product goes for transportation. Transportation is especially important to Kentucky manufacturing. And by the way, manufacturing makes up about 25 percent of our State's total civilian work force. Quite a bit! According to the most recent Grant Thornton Manufacturing Index, Kentucky fares favorably when compared with other states. Grant Thornton says we rank 19th in the nation in

terms of transportation support to manufacturers. That study looked at items like the average urban commuter time, pavement conditions, percentage of state budget which goes for transportation, safety record, per capita spending on roads, etc.

Manufacturers now care much more about "just in time" delivery. In fact, Kentucky manufacturers today have half the inventory they carried 10 years ago, because they have to hold inventories down to save costs. That's the key to being competitive these days. Obviously, Kentucky manufacturers need to get supplies on a very timely basis. Good roads and access to airports and river transportation are critical to "just in time" delivery. One Kentucky manufacturer, for example, counts on 30 rail cars per week and, if that sequence is interrupted for only one day, it shuts down his entire plant work force of 500 people for the entire day. Some of you also may remember the problem the Corvette plant near Bowling Green had about a year ago. It turned out they had bad wheels in inventory and the whole plant shut down while they had to wait for new ones to be shipped. Again, "just in time" delivery absolutely requires good transportation services.

Kentucky's location also is a key. Kentucky is located within a day's drive of 75 percent of the nation's population. We're perfectly located in terms of manufacturing, distribution centers, etc. The Toyota location in Georgetown, and its access to I-75 and I-64, was a key factor in their decision to locate here. Other examples abound. The head of Paramount Pickles in Louisville says he loves that location because it gives him "second morning delivery" from the east coast all the way out to Denver. In other words, a truck can leave his plant on Wednesday afternoon and be anywhere in between those points by Friday morning. The head of Paramount Pickles wouldn't want to be anywhere else. So location is especially important to the agribusiness industry. Litton Handling Systems of Northern Kentucky is another example. They told me the most crucial development for them in the past few years didn't have anything to do with legislation in Frankfort. It was the opening of the direct flight from the Northern Kentucky Airport to London. This is an international economy these days, and Litton is a perfect example. In terms of access to Europe, Litton is just as well served in northern Kentucky as it would be in New York City or Chicago. I could give you a hundred other examples, but I'll only give you one more -- the UPS Distribution Center in Louisville. They have moved thousands of jobs to Louisville and operate hundreds of flights per day in and out of Standiford Field. You can bet the new airport development in Louisville is crucial to further growth for UPS, a prime example of the tie between transportation and economic development. I'll sneak in one more example, and that is Pikeville. Guess what the key priority is for the Pikeville Chamber of Commerce these days. It's the four-lane expansion of US-23. Obviously, they feel it's crucial to their economic growth.

We understand from Western Kentucky Gas that the first question industrial prospects ask them is, "Where are the interstates?" A recent Tennessee study shows the same thing, 78 percent of prospects last year wanted sites in counties served by interstates.

Another good example is the recent development along I-75. Fully 15 percent of the manufacturing capital investment in the United States over the past few years has been along the I-75 corridor.

Transportation also is crucial to coal, a key part of Kentucky's economy. I understand that about half of coal's costs are in transportation, and that more than 90 percent of our coal mines in Kentucky are so-called "truck mines". In other words, trucks are involved, at least in some part, with the transportation of coal from those mines. Roads are important to those coal truckers. Good roads are important to the profit margin of those coal companies and many of them are working on a mighty thin margin these days with the coal prices so down.

Agriculture is another important segment of Kentucky's economy -- about \$3 billion in annual output. The old story about "farm-to-market" roads is just as true today as it was 50 years ago. Remember Gov. Clements' line about "bringing Kentucky farmers out of the mud"? Well, the game has changed. We now need to make sure they can get their products into the global marketplace. So, roads are certainly important to Kentucky's farmers for service and shipping.

Tourism is another important economic sector, and it relies on transportation, maybe more than any other. Some say the tourism industry is our third leading employer now in Kentucky, and national studies show that by the year 2000, it will be the leading retail industry in the United States. Remember what I said about Kentucky's location? That's crucial to tourism development, especially with the trend toward shorter vacations these days and realizing that now 80 percent of vacation travel is by car. How do we best capitalize on this huge tourism potential? By maintaining and improving our roads. It's as simple as that. Who would have ever thought, 50 years ago, that northern Kentucky would be a leading tourism center? But I-75 has guaranteed it. Have you tried to get a room on short notice at the Drawbridge Inn lately? The Cumberland Gap, when finished, will be the shortest route from points north to Gatlinburg and the Smokey Mountains. That will mean a lot to folks along 25-E from I-75 to Middlesboro. Officials at Daniel Boone National Forest expect tourism travel to double in terms of recreation, hunting, and fishing by the year 2000.

For the second part of my talk, there are some danger signs out there. In other words, the Kentucky business community is concerned with the future of transportation in Kentucky. Let me give you a few examples.

The first threat could well be the lack of intrastate air service. For example, Paducah has been cut off from Louisville and Lexington, in terms of air service, for several years. Now another flight service is starting up and trying to make a go of it. The Paducah Chamber has been very involved, helping Mid-State Airline sell books of tickets, but they've only sold half of what they wanted to. So, who knows how long the service will last.

Paducah is a good example of another threat. It and other cities in outlying areas of Kentucky are gradually aligning themselves more closely with cities in other states than they are with Lexington and Louisville. The reason is pure and simple -- economics. Paducah is more

closely aligned, via I-24, with Nashville because it's only a two-hour drive for people in Paducah. At the same time, it takes someone in Paducah only three hours to get to Memphis and about the same amount of time to get to St. Louis. Contrast that with the five-hour trip to Lexington. Now what does all that mean? Well, it's probably no big deal to people in Paducah, but it ought to be to those of us who live in central Kentucky. Cities like Paducah, Ashland, Pikeville, and Somerset have, over the years, consumed a lot of products, visited a lot of motels, and eaten at a lot of restaurants in Lexington and Louisville. If that starts to shift to cities in other states, like Nashville, Huntington, West Virginia, or Knoxville, parts of Kentucky's economy will suffer.

Another growing threat we see on the horizon is urban traffic congestion. For retail businesses, that means delays in getting supplies. The same is true for manufacturers. It also means delays for customers and employees. Those kinds of delays cost money and hurt profits.

Another threat is that about half of our 8,100 bridges are deficient or obsolete. That's serious when you look at our coal industry and our agricultural industry.

Another very serious threat is that our road funding is based on politics, these days, and not on need. Maybe it has always been that way. The point is, we're not making much progress on turning it around. Some statistics are revealing. For example, there are 70,000 miles of road in Kentucky, yet only 25,000 of them carry some 85 percent of the traffic. Yet we continue to dole out money to roads in terms of miles, not usage. We have found, for example, that rural counties get about twice as much money for road funding and maintenance as do cities, yet the cities are carrying twice as much traffic. How do we get a handle on that? I don't have any great answers for you today. The Kentucky Chamber wants to try some things, though. For example, we'd like to see the Six-Year Road Plan changed a bit. For one thing, we'd like to see the Legislature look at it every year while they're in regular session, and then again during the organizational session in the off years. And we'd like to see that road plan given to the Legislature well in advance. As it stands now, we're giving it to them as they're ready to go home, and they don't have a chance to make any changes or to take even a serious look at it. We'd like to see a requirement that the Six-Year Road Plan be submitted early in the session so that it could be examined thoroughly. Finally, we'd like to see it include realistic funding. There are items in the current Six-Year Road Plan that cannot possibly be funded -- and there's no bottom line. Julian Carroll mentioned, during the last campaign, that the numbers don't add up, that there's not enough money in there to cover the building and maintenance that's planned. He was right. The Six-Year Road Plan means little right now, but it could become a real asset.

Another threat is this. At the same time Kentucky business is realizing it's a global economy out there, we're not sure if our transportation system has realized it yet. Should Louisville have direct flights to Europe? And what about Kentucky distillers who have seen the Far East market explode recently? Are we providing them the transportation services they require to take advantage of that new market overseas? And remember that the new European Common Market is due

for 1992. When that happens, it will be a market bigger than the United States, which sounds unbelievable. Are our transportation services responding to that? And then we have watched as secondary rail lines throughout the Commonwealth diminish, putting more and more burden on trucking. Now 77 percent of all freight revenues are via truck. Can our roads stand it? Are we willing to pay the price tag on maintenance? Across the United States, it's estimated that some \$95 billion is required per year for maintenance only on roads.

The third part of my presentation has to do with future needs. I'll list a few. Again, this is from our perspective as the business community.

First, somehow, some way, we need to get key four-lanes built in the State. Those four-lanes will provide access to interstates and major cities, along with access to Kentucky's airports. What key four-lanes? Here are a few. Start with US 68-80 from Bowling Green to western Kentucky. And also, we need to finish US-23 in eastern Kentucky, from Paintsville to Prestonsburg, and from Pikeville to the Virginia State line. Another key one is the 25-E route from I-75 all the way to the Cumberland Gap. Parts of that road are now four-lane, but it all needs to be if we're going to take advantage of the tourism traffic through the Cumberland Gap. Think about the tourism potential in towns like Barbourville, Pineville, and Middlesboro, if we can make it happen.

Second, as I mentioned before, we need to improve the development and utilization of our Six-Year Road Plan. It needs to be introduced earlier in the legislative sessions, it needs annual review, and it needs a bottom line!

Third, we need better planning. For example, let's require counties to develop a county road plan, just like we now require them to develop a solid waste plan. Why not? Along with that plan, we have to force localities to do an accurate inventory of roads. Even Lexington would be hard pressed to determine the actual number of miles they have, and more importantly, to determine the maintenance needs. Along with that better planning comes the need for better use of dollars, more upkeep, more attention to maintenance like "crack-filling" rather than our typical, almost "knee-jerk" reaction to resurfacing. Often, in Kentucky, we slap on an extra couple of inches of asphalt and fail to do critical maintenance, and then the cracks reappear. Then we slap on another couple of inches of asphalt, and so on and so on.

Fourth, our transportation system should investigate how we can exploit the developing global economy. In short, what does Kentucky business need to take full advantage of new markets in the Far East and Europe? For example, other states and other cities are looking at creative new applications of intermodal transportation. Simply put, that means finding ways to use two different types of transportation, like truck and air, and do it without unsealing the package. Huntsville, Alabama has something exciting going. Way back in 1963, when Huntsville only had 50,000 in population, they decided to put together a huge airport, some 3,000 acres. They wanted an industrial park inside of it. Now remember, we're talking about back in 1963. The FAA balked, saying that Huntsville was a small town and just simply needed a small airport. But the town leaders wouldn't listen. And what is it today? They have two parallel

8,000-foot runways, capable of landing two 747's simultaneously. They have that industrial park inside the airport, and it employs some 14,000 people. One of the firms is a Korean electronics manufacturer, and they simply love how they can get supplies via air and put them right into use. Plus, they have what is called an Intermodal Transportation Center. That's where they can take the products off the planes and get them on a truck in ten minutes. And all that while the truck driver doesn't have to leave his cab! All the paperwork goes through pneumatic tubes. Now they have five regular cargo flights in and out every night. There's a town that responded to an opportunity.

Fifth, we have to learn to capitalize on the tourism potential Kentucky has. That means those same four lanes I talked about earlier. It also means something else important, cleaning up all of the roadside litter! We have a trashy State. I can say that because I'm from here. If someone from Illinois said it, though, I'd probably get mad. We commend Milo Bryant for recognizing the problem and trying to do something about it. It's going to take an all-out effort, an all-out war which cleans it up, and keeps it clean. Otherwise, tourists won't come, and I wouldn't blame them.

Sixth, we want mandatory seat belt legislation in Kentucky. We're living in the dark ages now with our stubborn resistance to it. It's costing us lives, pure and simple. It also costs business money in terms of lost working hours, retraining, absenteeism, etc. It literally costs Kentucky business billions of dollars each year.

Finally, we simply must be willing to pay the price for improving and maintaining roads.

There is a giant tie between transportation and economic development. Thanks for letting me join you today and talk about it.