



**MICHIGAN CITY
ECONOMIC
DEVELOPMENT
CORPORATION**



YZ



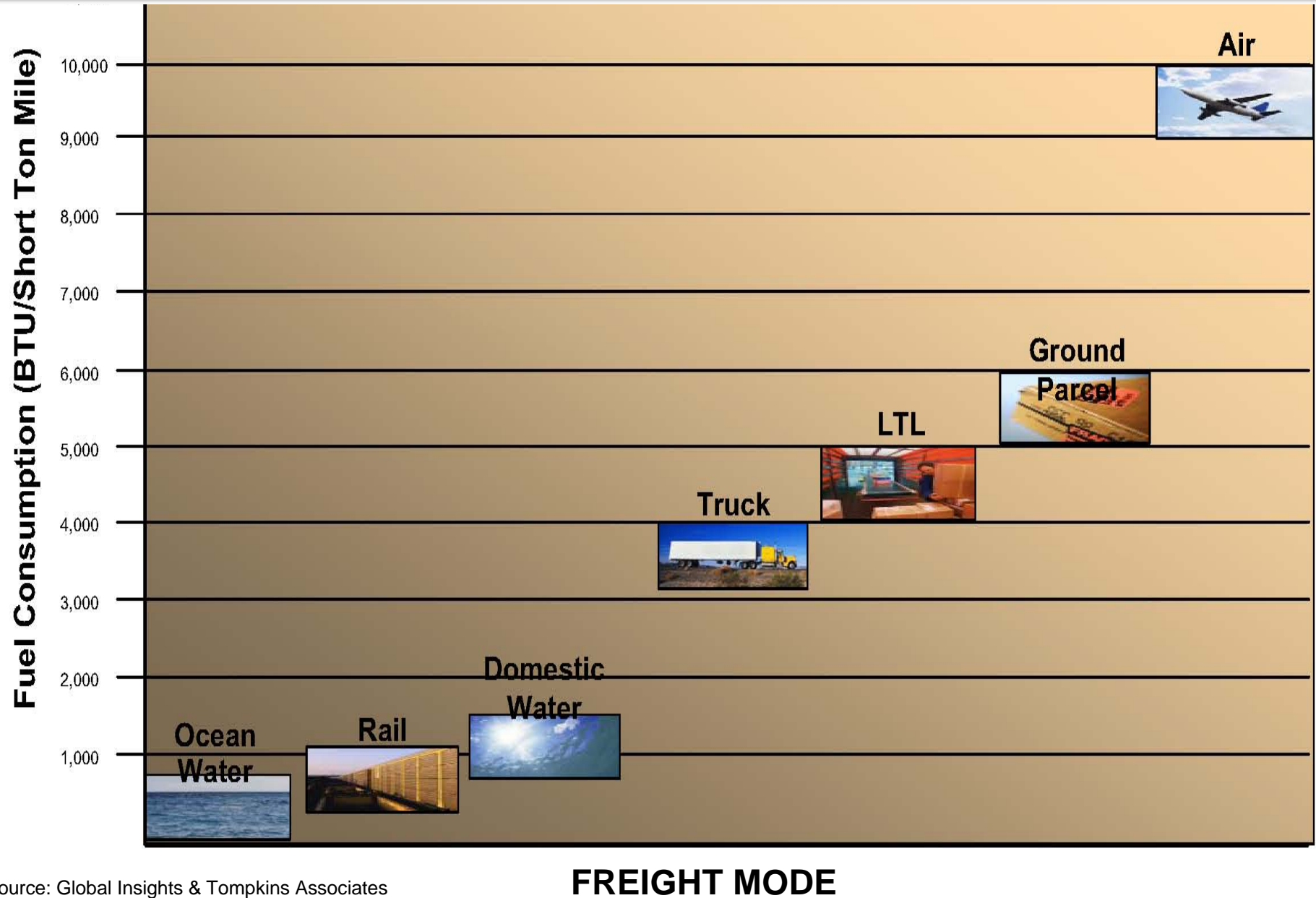
PREPARED BY:

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- How many of you make your living as
 - Governmental Agency, Economic Development Personnel
 - 3PLs or Transportation Management
 - Corporate logisticians, managers, or owners
 - Industrial Brokers or Developers
 - Students or Professors
 - Press
 - Don't know?
- How many of you live within 150 miles of a Port city?
- Who has visited a Port or Multi or Intermodal Hub?
- What are the major challenges to Global Trade today and in the future?

- Global Logistics trends
 - Declining fuel/transportation costs have eased the short term need for network changes. The smart companies will use this time to prepare for the eventual uptick in fuel
 - Import volumes are expected to decline through 2009 and modestly increase in 2010
 - Exports are strong but slowing due to the strengthening of the dollar and the global downturn
 - Steamship lines are laying ships down due to the lack of volume, significant number of large vessels are coming on line with no volume to support them

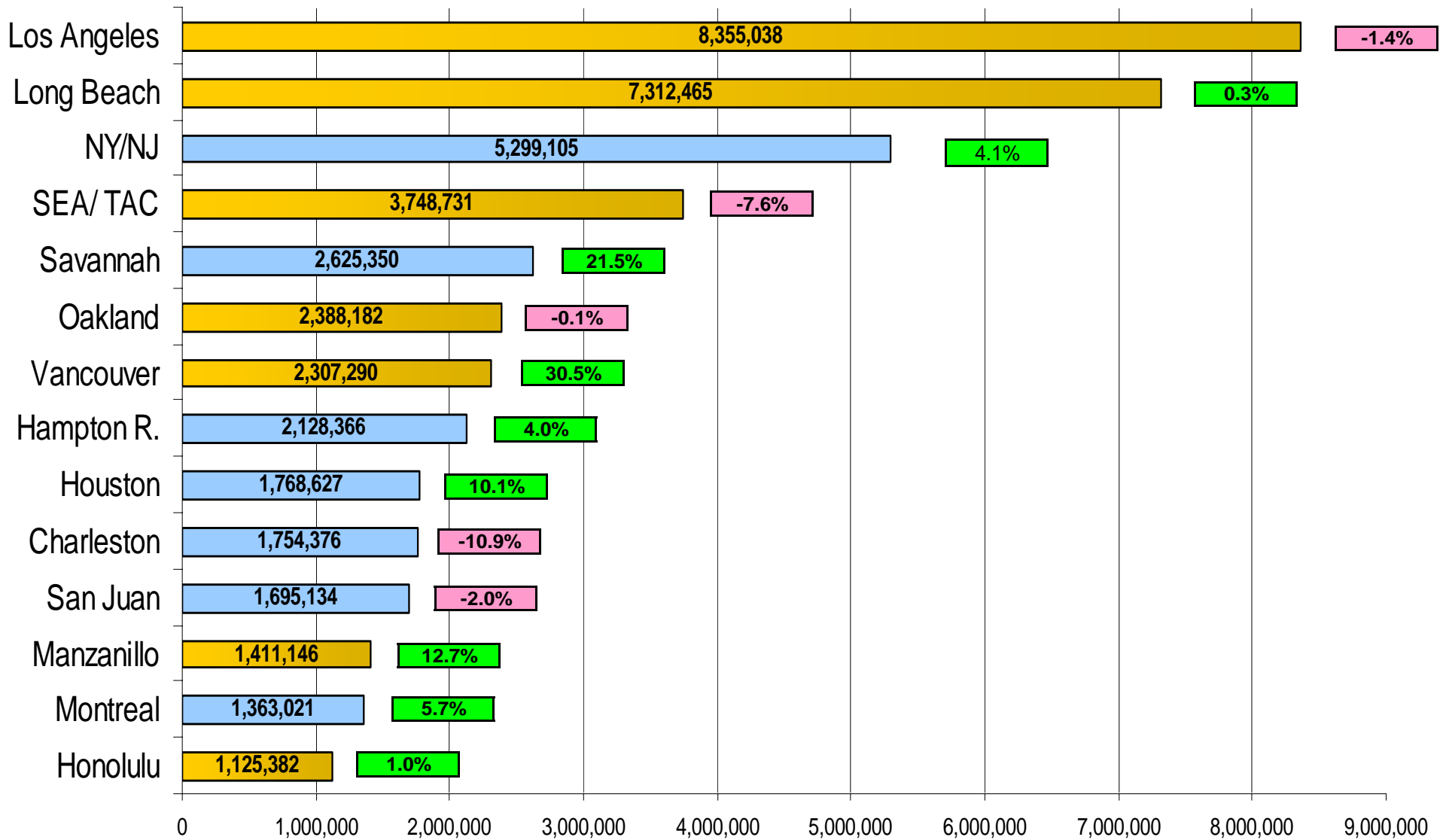
Fuel Consumption by Freight Mode



Source: Global Insights & Tompkins Associates

FREIGHT MODE

NA Port Container Volumes 2007



Source: Grubb & Ellis Research

West Coast

East Coast

2007 TEUs

Down Vs. 2006

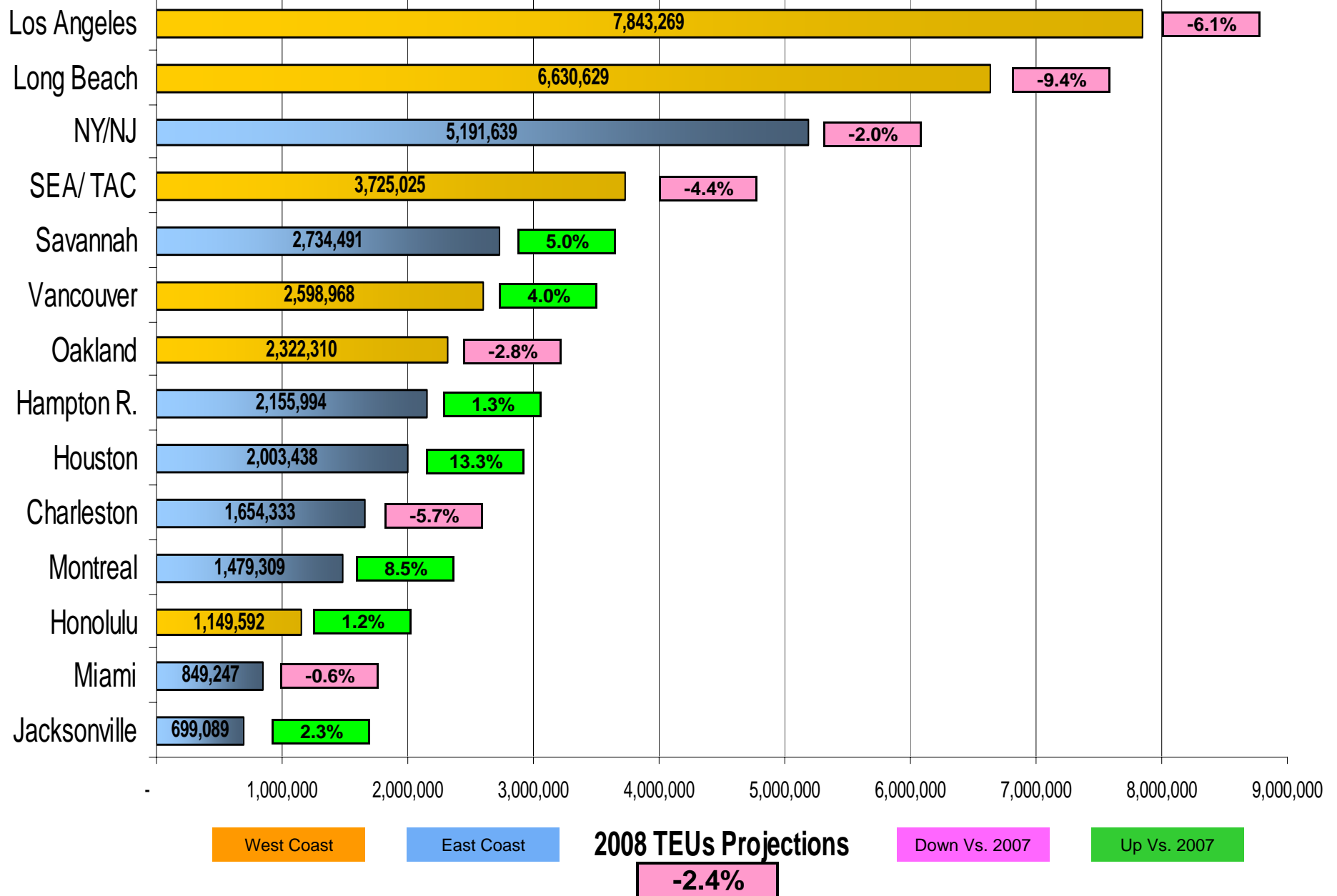
Up Vs. 2006



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NA Port Container Volumes 2008 Proj.



	2007 act.	2008 proj.
• East Coast	38.7%	40.4%
• Gulf	4.9%	5.1%
• West	56.4%	54.3%

West can not expand significantly (especially LA and LB because of environmental) and East has big plans. So we will continue to see a shift from West to East & Gulf coast ports.*

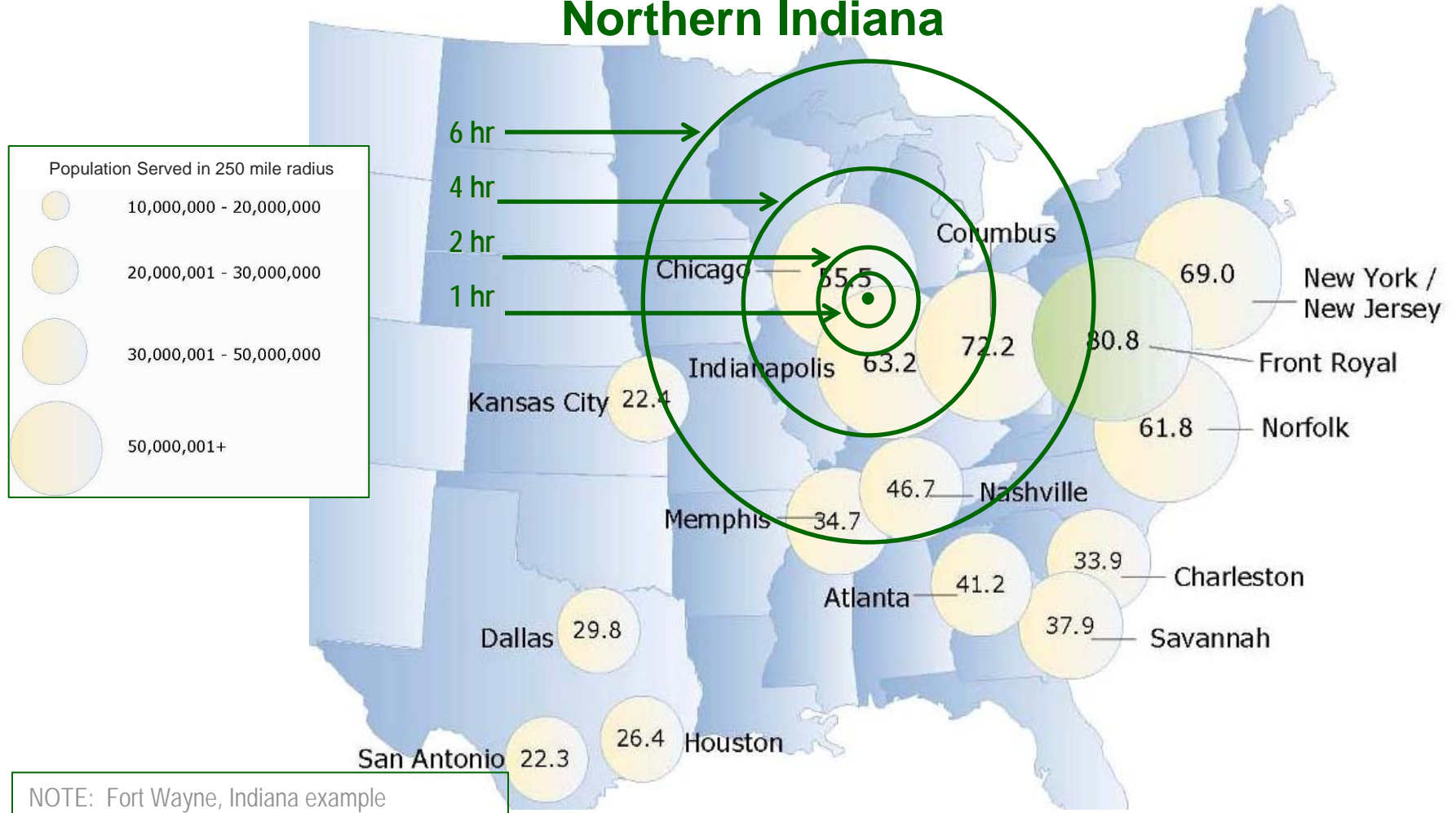
Source: Journal of Commerce; * Feemster forecast

- Import Volume Growth
 - 2008 -5.1% [-7.0%]*
 - 2009 1.3%- [-1.0%]*
 - 2010 7.0%- [+4.0%]*
- Export Volume Growth
 - 2007 17.5% Actual
 - 2008 10.9%
 - 2009 8.6%
 - 2010 8.8%

Source: Journal of Commerce; * Grubb & Ellis Global Logistics forecast

Site Selection – Population/Warehousing

52% of Eastern US population live within 6 hour radius of Northern Indiana





Today



2020



These estimates from this page and the previous page, which have been gathered by various agencies, may be inaccurate. The reason for this is that the rate of growth over the past two years in both truck and rail freight has consistently exceeded all projected models.

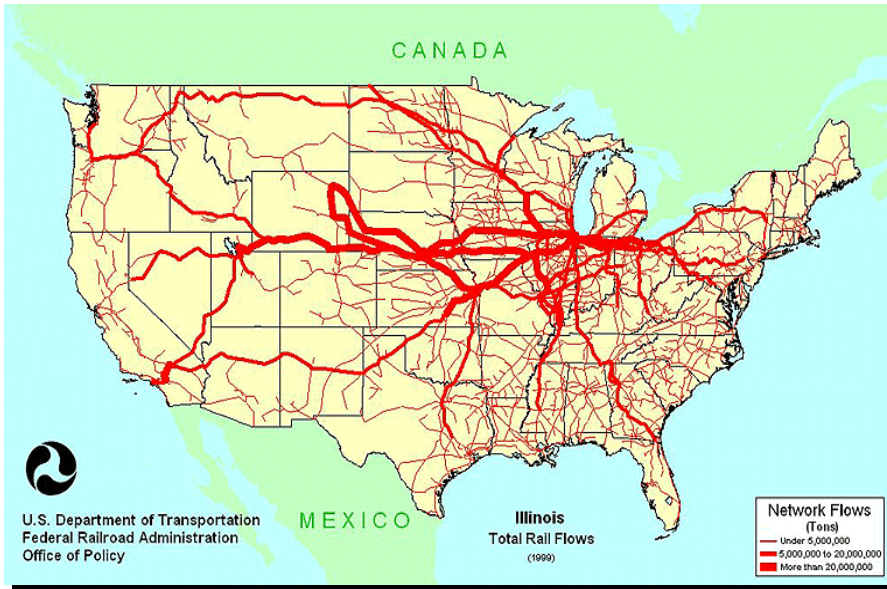
Note: Northern Indiana is the north starting point to the fastest growing freight lane in all of North America. This is the I-65 corridor which includes Chicago/Northwest Indiana, Indianapolis, Louisville, Nashville, Atlanta, the Carolinas, Alabama and Florida.

Source: USDOT FHWA Freight Analysis Framework

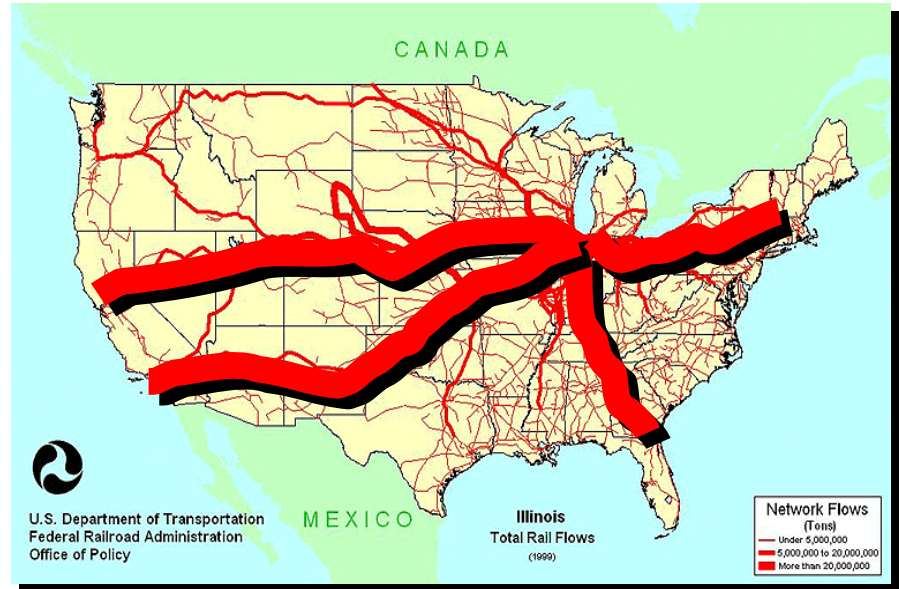
Future US Rail Traffic Flows



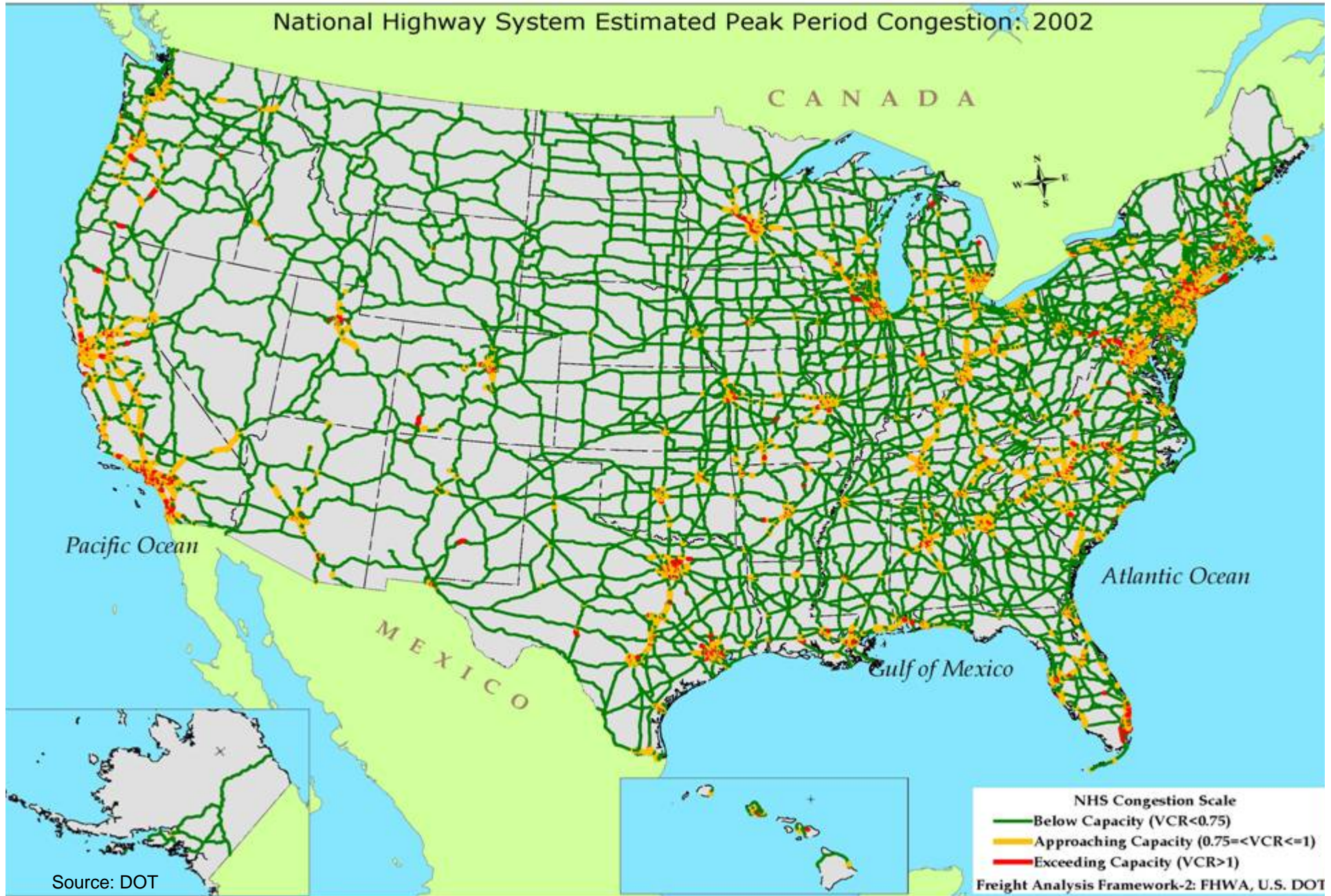
Today



2020



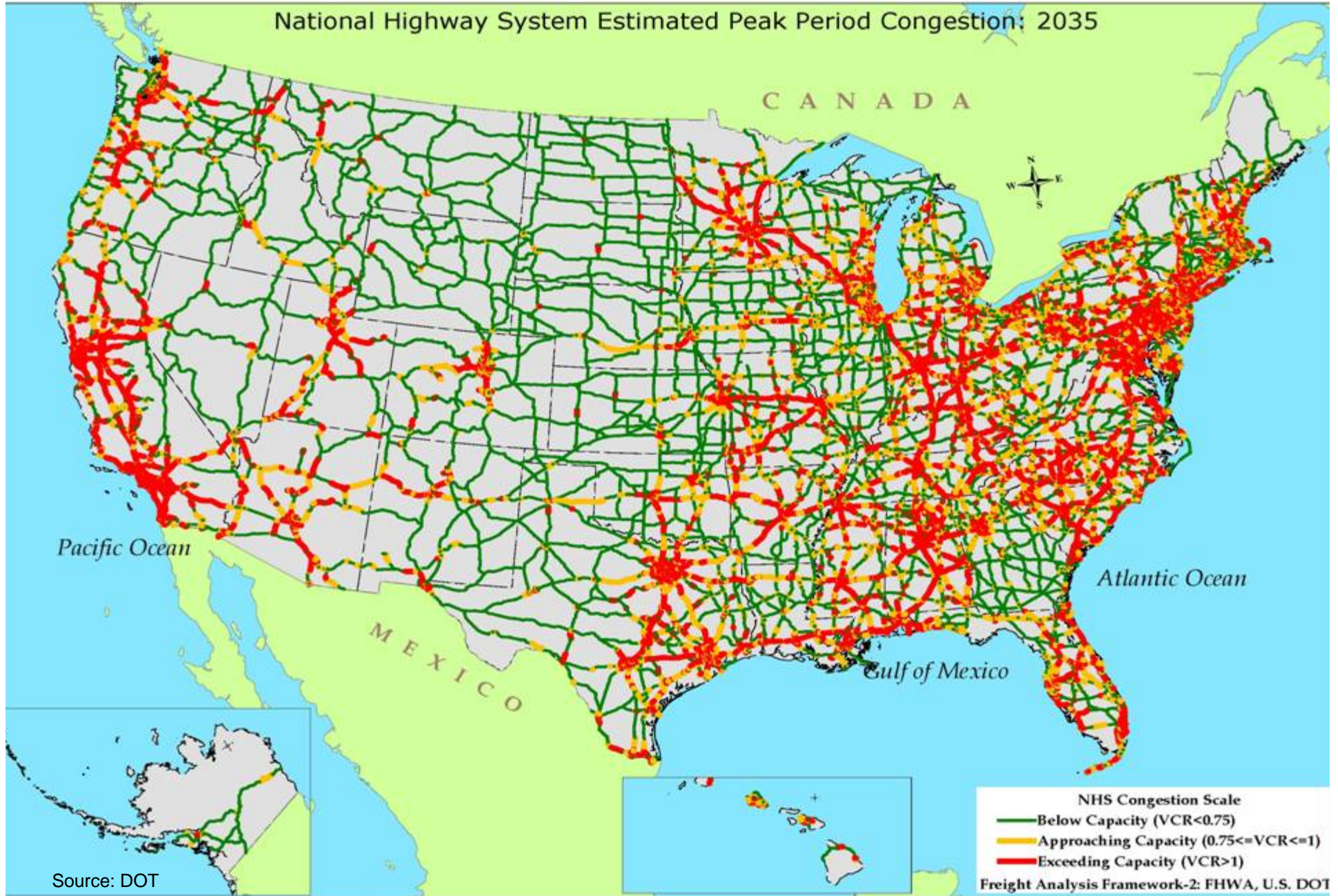
Peak System Requirements 2002



Peak System Requirements 2035



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TRANSPORT TOPICS September 22, 2008 — 33

Grain Exports Snagged By Infrastructure Delays

By Christopher Leonard and Catherine Tsai
Associated Press

Across the country, from grain elevators to grain elevators, golden wheat and corn are piled in towering mounds, waiting for a rail car to haul them to market.

Some grain can sit for a month or more on the ground, exposed to wind, rain and rats.

It's the dark side of the booming global demand for U.S. corn, wheat and soybeans. The surge in exports is revealing inefficiencies in the country's railways, highways and rivers that carry the grain that helps feed the world. And those bottlenecks are cutting farmers, shippers and ultimately consumers millions of dollars a year.

Mark Hodges, the executive director of the Oklahoma Wheat Commission, has seen it firsthand. Earlier this summer, when consumers around the world hungrier more than ever for American wheat and corn, he hopped into his pickup truck and toured local grain elevators.

Piles of grain sat like giant anthills, waiting to be shipped. Frantic managers couldn't find enough rail cars to haul it.

"When you're putting wheat on the ground, there's going to be a loss," Hodges said. "They don't ever like to put it on the ground, but when wheat is \$7, \$5 or \$10 a bushel, they sure don't like to put it on the ground."

A surprisingly large harvest this fall is expected to test the system even further. The U.S. Department of Agriculture predicts farmers will produce the second-largest corn crop and fourth-largest soybean crop in history.

Some agronomists worry the bottlenecks could hurt the United States' standing as a global food provider as other nations, such as Brazil and Argentina, compete for a lucrative share of the market.

In years past, bountiful harvests meant millions of bushels were stored outside overstaffed grain silos, waiting for shipment. Commodities loaded on barges faced long waits at outdated locks and dams on the Mississippi River, adding days and dollars to their transportation.

The barge delays alone added an average \$72.6 million annually to cost of shipping goods down the Mississippi and Illinois rivers, according to a new Army Corps of Engineers analysis provided to The Associated Press.

Rail delays are costly as well. In 2006, an estimated 1 billion bushels of grain was stored outside or in improvised shelters in Iowa, Illinois and Indiana, adding an estimated \$107 million to the cost of transporting it, according to USDA figures. That's about 1% of the combined \$13.5 billion value of corn and soybean exports in 2006.

"We're way, way behind in our infrastructure investment, both in the private sector and publicly," said Peter Friedmann, executive director of the Agriculture Transportation Coalition, a trade group representing grain exporters, "and we need to move a lot on that or we will see other countries supplant us

as they get greater investment in their infrastructure." The problem is likely to persist, if not worsen, in years to come.

Fixing the bottlenecks will take billions of dollars in investment over several years. In the meantime, exports are forecast to increase, with corn shipments expected to

grow every year over the next decade to 77 million metric tons from 54 million metric tons, according to the Food and Agricultural Policy Research Institute.

Added costs from bigger bottlenecks could only hurt U.S. farmers in a competitive global industry. "Price is still king in this business," said Larry Jansky, senior trader in agricultural commodities for North Pacific Group Inc. "Two or three dollars a ton is the difference between getting a contract or not."

Agricultural exports last year were

worth almost \$90 billion. If the United States loses just 1% or 2% of that market to fast-growing exporters such as Argentina, it could drain \$9 billion to \$15 billion from the economy.

Economists said higher transport costs can hurt both farmers and consumers, because grain elevators or barge companies can cover higher costs by paying farmers slightly less for their grain or by charging consumers slightly more for it. The USDA does not track how much cost transportation bottlenecks add

annually to the price of food. Grain elevator operators have become adept at storing grain outside, using concrete pads and tarps to ensure just a fraction of the harvest is lost, said USDA economist Marvin Preter.

But even in the best conditions, storing grain outside means the cargo must be "double-handled," dumped once outside, then reloaded to be loaded into a silo and then a rail car. By contrast, when

(See GRAIN, p. 34)

34 — September 22, 2008 TRANSPORT TOPICS

Shipping of Grain Stymied

(Continued from p. 33)

things work smoothly, grain is loaded from a farmer's truck directly into grain elevators that funnel it into waiting rail cars. Double-handling adds 10 to 15 cents a bushel, Frater said.

Last year in Colorado, wheat piled up after an exceptional harvest. Tony Leighty, elevator manager of Tempel Grain Elevators, Haywell, Colo., said he scrambled to order more train cars, which were fetching premiums of up to \$2,000 a piece. He lost an estimated 10,000 bushels of wheat, worth about \$10,000, that sat on the ground.

"It was horrible," he said. The Association of American Railroads estimates it will cost about \$145 billion to expand rail lines over the next 30 years to handle increased demand, but the group said railroad companies can afford to fund only about 70% of that cost.

AAE and farm industry groups are backing legislators that would offer tax credits for investments in freight rail expansion.

One of the tightest bottlenecks

Barges floating down the Mississippi River have long been a cheaper shipping alternative for farmers who aren't landlocked. But the barge traffic is hampered by Depression-era locks and dams.

A modern-size barge tow is typically 1,100 feet long, but the locks they must pass through are only about half that length. That means the barges must split in two to get through, with the back half waiting for the first half to make the passage before rejoining it on the other side.

The delays add about 50 hours of travel time along the upper stretch of the Mississippi, said Corps Manager Scott Whitney. The barges must burn fuel and pay workers as they wait, racking up an estimated \$725.6 million in extra costs along the Illinois and Mississippi rivers between 1990 and 2006.

Congress authorized the Army Corps last year to update locks and dams along the Mississippi, but Congress also must approve funding for the project, estimated at \$2.21 billion over more than 20 years.

States from such overseas markets as China. But as those imports have fallen, exporters must wait longer, and pay more to find space on outward-bound vessels, said Jansky, the grain trader. The cost of renting a 20-foot-

equivalent container has risen as China. But as those imports have fallen, exporters must wait longer, and pay more to find space on outward-bound vessels, said Jansky, the grain trader. The cost of renting a 20-foot-

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A switchman walks away from a rail car as grain is deposited from one car to the next at Grand Prairie Coop in Tolono, Ill. Rail delays, plus other transportation bottlenecks, can cost farmers millions of dollars.

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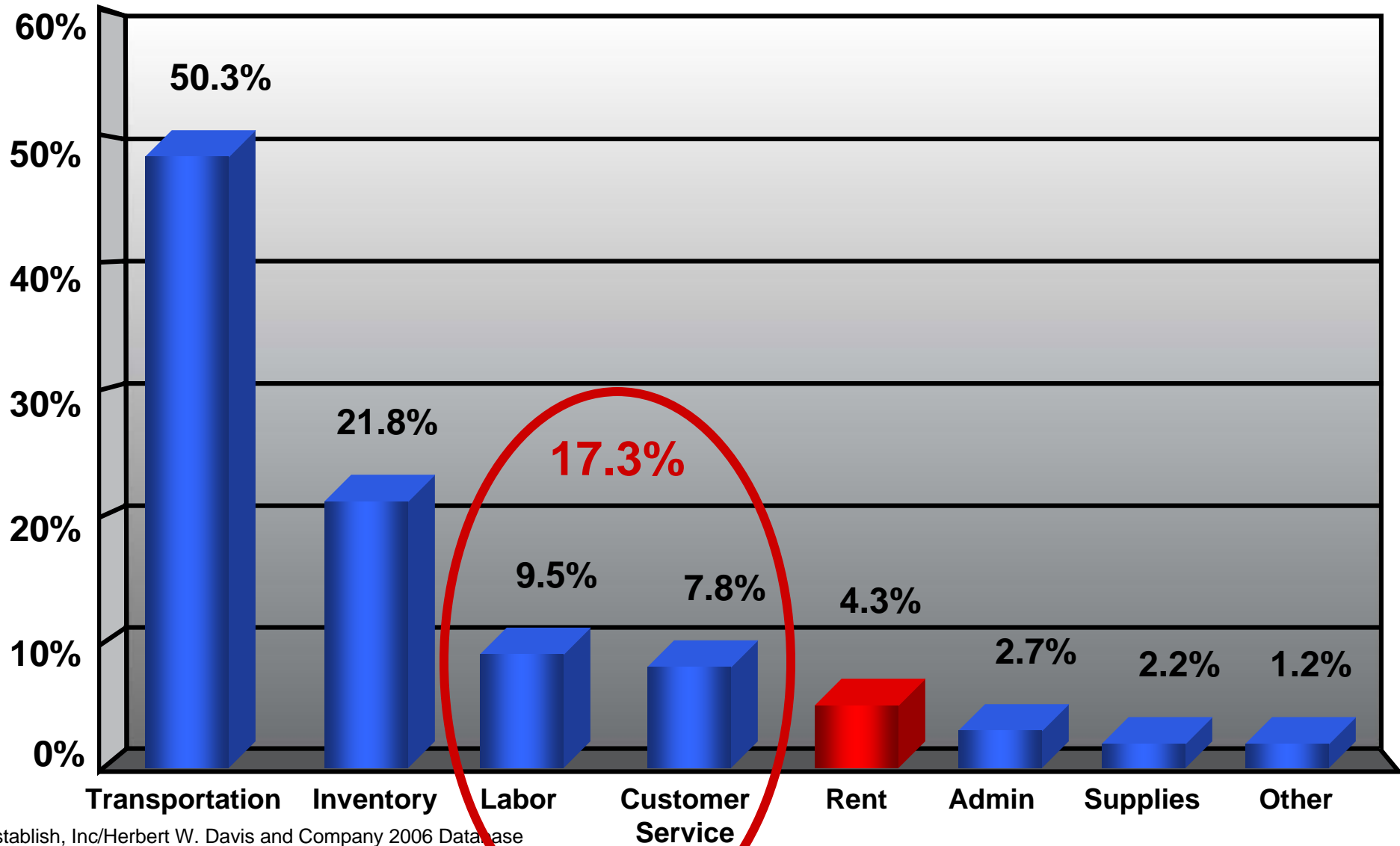
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Lack of infrastructure for efficient loading & unloading



- What are the 3 “Ls” in Real Estate
- Not- Location, Location, Location
- Logistics cost, Labor, Love

Logistics Cost Breakdown



Establish, Inc/Herbert W. Davis and Company 2006 Database



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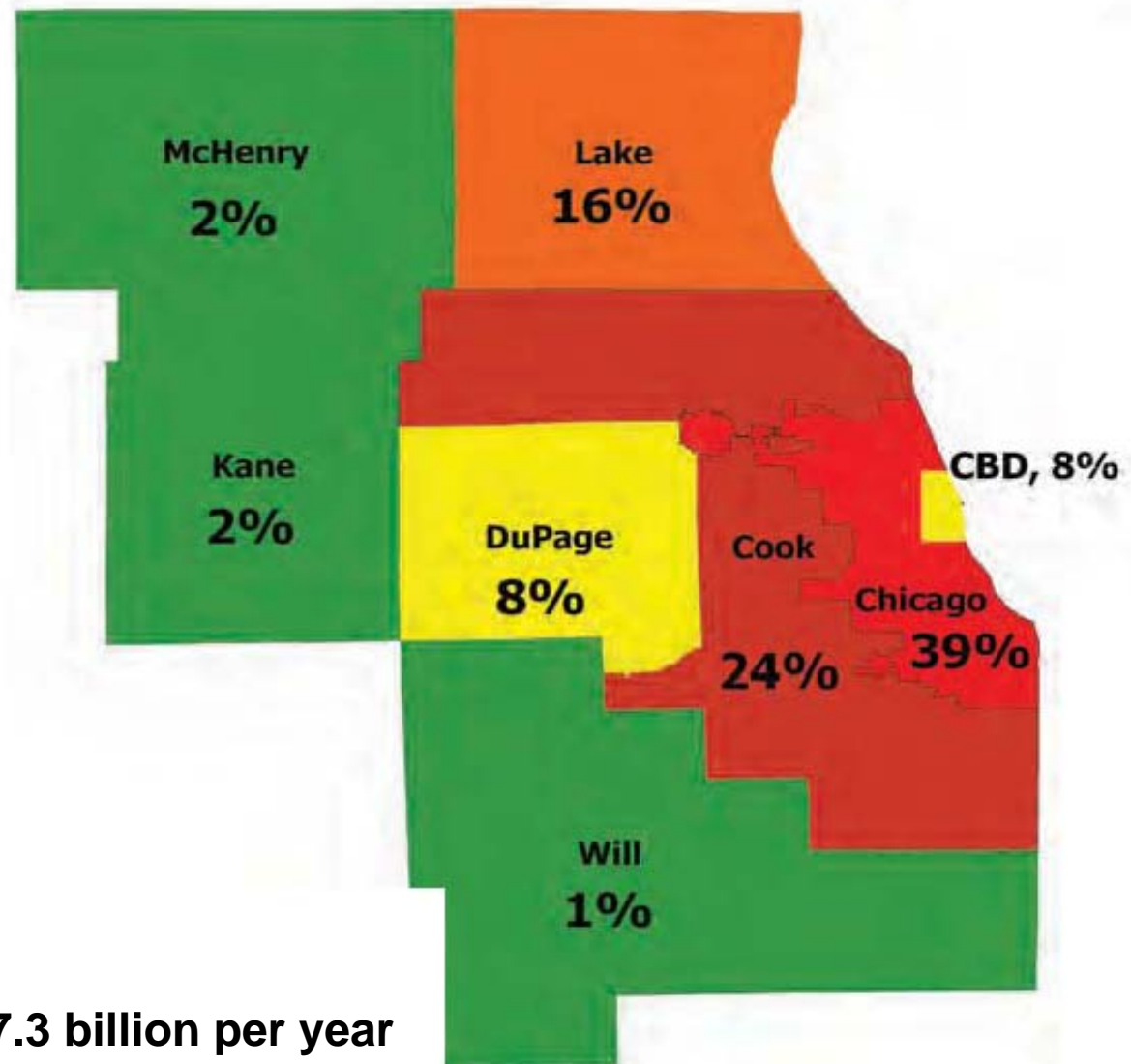


Where Congestion Happens: County by County

PERCENTAGE OF REGIONAL HOURS OF DELAY EXPERIENCED IN SUB-AREA

The city of Chicago (excluding the CBD) is where traffic delays are experienced most – about 40 percent of the region’s total – followed by 24 percent for the rest of Cook County (excluding Chicago), and 16 percent for Lake County. DuPage County and the Central Business District (CBD) contribute equally to the region’s total vehicle-hours of delay, at approximately eight percent each.

Source: HDR calculations based on data from CMAP’s Congestion Management System for Northeastern Illinois, 2006 Status Report, July 2006. Calculations included Kendall and Grundy counties, which are omitted here.



Congestion costs Chicago \$7.3 billion per year

Source: Grubb & Ellis Global Logistics



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11/12/2008 Intermodal

IANA 3Q report: Domestic intermodal traffic surges, international traffic sputters

The ups and downs of North American intermodal traffic were evident in the third quarter. In keeping with a recurring theme from the past several quarters, domestic intermodal traffic surged and international traffic sputtered, according to the [Intermodal Association of North America's \(IANA\)](#) quarterly "Intermodal Market Trends & Statistics" report.

Domestic container volume jumped 10.5 percent to 1 million units and total domestic equipment volume rose 6.7 percent to 1.5 million units compared with third-quarter 2007's totals. Overall, domestic intermodal posted its best performance since second-quarter 2004, the report states.

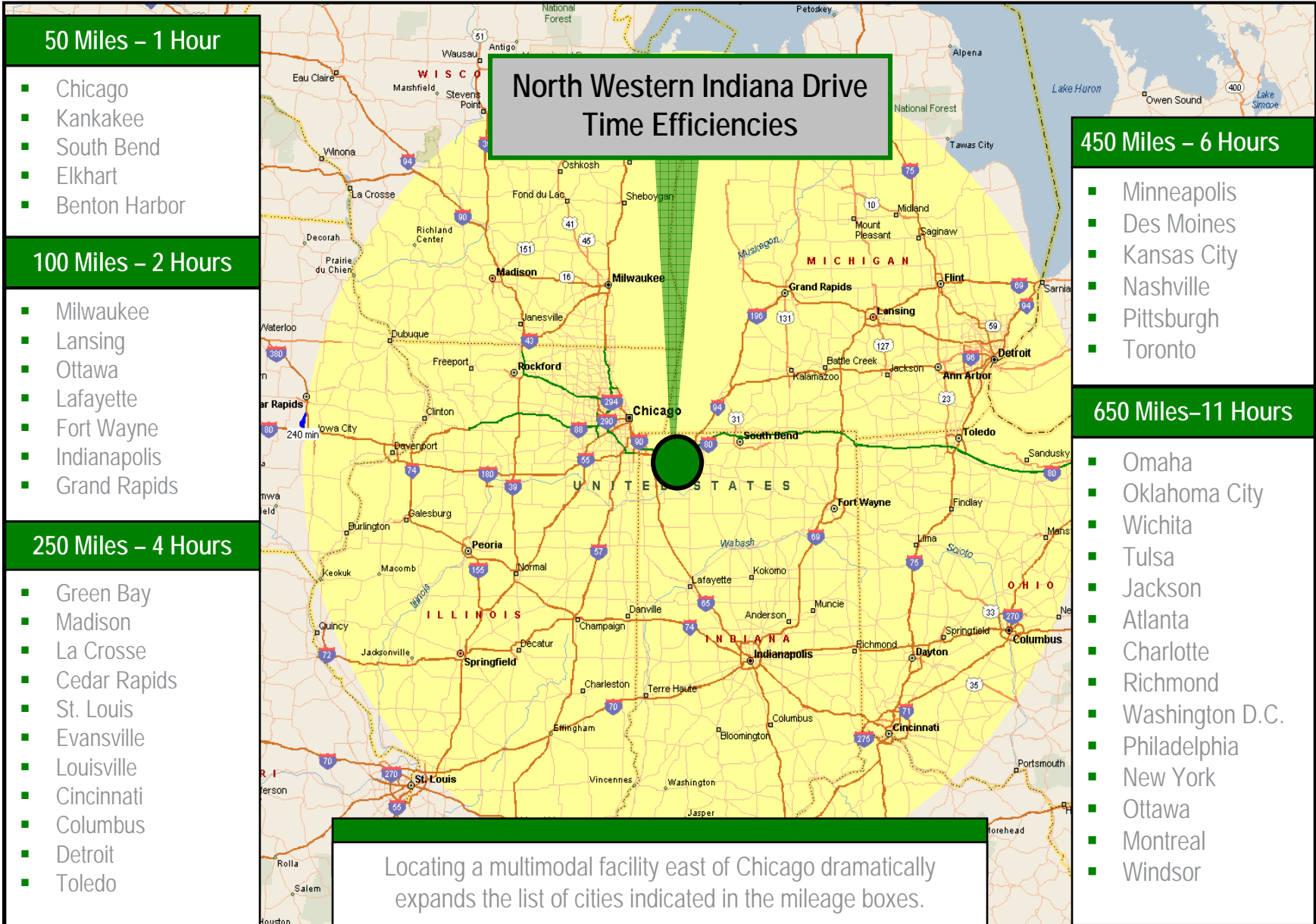
"This solid performance helped boost overall year-to-date domestic growth up by 4.7 percent," IANA said.

Domestic container growth — which achieved its best quarterly gain since 1999 — was driven by a 16.1 percent surge in 53-foot containers. The Midwest-Northeast corridor, where eastbound shipments jumped 15 percent and westbound shipments rose 6 percent, posted strong domestic growth, the report states.

Meanwhile, domestic trailer volume inched up 0.2 percent year over year to 527,840 units.



Trucking Distribution Solution



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- GDP- negative growth through the first half of 2009
- Negative growth in international import trade in the first half of 2009 and anemic growth in the second half; 2010 positive growth
- Lower export volumes due to the strengthening of the dollar & the weakening global economy
- Trucking
 - LTL carriers in trouble, YRC may go into bankruptcy
 - TL carriers have weathered this downturn much better
- Rail- all very profitable but the dive in fuel costs will impact their earnings
- Steamship- consolidation will accelerate due to huge over capacity issues and new mega ships coming on-line
- Multi-modal (includes intermodal)- new options for NW Indiana

Your Container is “On the Water”



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