

# ECONOMIC PERSPECTIVES

Improve The State Of Your Business™

**NNDA**  
Northern Nevada  
Development Authority

## Freight Railroads: Integral to Logistics & Infrastructure



**Rob Hooper**  
President & CEO

We hear about the logistics industry on a regular basis. Yet, few of us realize how it plays a major role in our daily lives. It takes an interconnected network of trucks, trains, barges, and planes to deliver 54 tons of goods, on average each year, for each person in the U.S.

Logistics is part of supply chain management. This industry includes warehousing and distribution, air cargo, assembly manufacturing, food processing operations, and freight transportation (ground and rail). It ensures that goods, services and related information are effectively and efficiently moved from the point of origin to the point of consumption to meet the needs of businesses and their customers. Historically, big metal – semitrailer trucks and warehouses filled with steel racks – has defined logistics. Today, the industry is equally about big data, and advanced logistics systems serve the global marketplace.

Nevada's rail network, spanning nearly 1,200 miles, and the state's more than 150 freight carriers offer cost-effective logistics for businesses. The close proximity to West Coast/California markets reduces shipping and storage costs, with competitive air cargo costs. Collectively, the cities of Carson City, Reno, and Sparks, along with surrounding towns, are less than one day's drive over arterial Interstate highways to nearly 60 million customers and clients, as well as to the major U.S. deep water seaports serving the Pacific Rim. Major rail connections in northern Nevada play an essential role in carrying the world's freight from the Pacific Coast to America's Heartland and beyond.

Trains are the most efficient way of transporting freight over land, moving a ton of cargo about 473 miles on a single gallon of fuel. In 2014, it would have taken approximately 2.6 million additional trucks to handle the 47.1 million tons of freight that originated in, terminated in, or moved through Nevada by rail. Our highways simply could not handle that load.

Reno-Sparks and the Sierra Region are both bisected by key rail and interstate highways and served by one of the nation's most reliable air cargo centers, the Reno-Tahoe International Airport. Along with the other attributes mentioned previously, this has led to Reno being a nationally recognized logistics hub which serves and supports northern Nevada, including our Sierra Region. Reno has the largest concentration of distribution-related property per capita in the U.S.

This logistics hub is generating interest by shortline freight rail providers in establishing transloading operations in the Sierra Region. These small or mid-sized railroad companies operate over a much shorter distance than larger, national railroad networks. Typically, they link together two industries requiring rail freight, such as a copper mine and electronic components factory.

The shortlines can transport goods to a transloading center, where a shipment is transferred from one mode of transportation to another, due to cost, distance, or incompatible equipment. This commonly occurs when one mode cannot be used for the entire trip, such as when goods must be shipped internationally from one inland point to another. Another example is when it is the most cost effective

to ship by rail to Nevada and then by truck to a final Western U.S. destination. Since our region is within the daily 11-hour driving limit set by U.S. Department of Transportation, shipments to our region by rail can be transferred to trucks which can then transport the goods to their final destination up or down the West Coast, within a one day drive.

The logistics industry depends on our nation's infrastructure to meet the needs of companies and their customers. The March 2017 Infrastructure Report Card from the American Society of Civil Engineers (ASCE) was troubling as it gives the U.S. overall infrastructure a "D+" grade and its roads a "D." Nevada itself fared better, but only slightly, receiving a "C-" in a 2014 ASCE assessment.

As policymakers at every level of government work toward solutions on infrastructure, including ways to fund the projects that need to get done, it would be prudent for them to consider the one essential part of America's infrastructure puzzle that stood out in ASCE's report card. The nationwide 140,000-mile freight rail network received a "B," the highest grade in the report. This is a great example of how smart public policies, a user-pay principle, and massive private sector investments create unparalleled infrastructure.



The logistics industry has become an economic engine for northern Nevada, connecting miners, ranchers and manufacturers to U.S. and global markets. Efficient, reliable and safe rail service – bolstered by the industry's massive spending – is helping to expedite Nevada's explosive economic growth. As the President and Congress develop infrastructure plans, they could glean valuable insights and important lessons from the long history of freight railroads.

On a separate note, please join us on Wednesday, January 24, 2018 for the first NNDA breakfast of the year, from 7:00-9:00 am at the Carson Valley Inn in Minden. Bob Potts, Research Director with the Governor's Office of Economic Development, and Kristine Nelson, Director of the Office of Career Readiness, Adult Learning and Education Options for the Nevada the Department of Education, will provide an update about economic growth and on workforce development initiatives. Visit [www.nnda.org](http://www.nnda.org) for more information.