

STATEMENT TO ACCOMPANY PRESS CONFERENCE ON DR. LEACHMAN'S WHITE PAPER

Utah decision makers have assumed that there is a sound business case for building an Inland Port in Salt Lake City, but they have never tested that assumption. They have spent nearly \$40 million on overhead, and borrowed \$150 million in bonds, pursuing their Inland Port vision, but they have never identified what specific services it would offer, at what prices, to whom, and in what amounts. In other words, the promoters of the Inland Port have never systematically examined its potential use cases to see if the Inland Port would pencil out.

Now, for the first time, a leading authority on the design and operation of international supply chains has done just that. His name is Dr. Robert Leachman. He is a Professor of Operations Research and Industrial Engineering at the University of California, Berkeley. As a former manager at Union Pacific, he has hands-on experience with the import channel that sends goods from the Southern California seaports to Salt Lake City and beyond. While a professor, his consulting firm was hired to redesign that channel.

A Fatally Flawed Business Model

The Stop the Polluting Port Coalition asked Dr. Leachman to evaluate all potential use cases for an Inland Port located in Salt Lake City, to see which are likely to be commercially viable. He has authored a white paper that demonstrates that most Trans-Pacific importers would lose both time and money if they were to substitute port services located in Salt Lake for those they currently use in Los Angeles. His paper concludes that the Inland Port's current business model is fatally flawed and almost certain to fail.

Impact of a Trans-loading Facility on Imports

Inland Port officials have identified "trans-loading" as the core function of a future Inland Port. For that reason, Dr. Leachman systematically evaluated the potential customers and use cases that could conceivably benefit from a trans-loading facility located in Salt Lake City.

Dr. Leachman notes that trans-loading is labor-intensive and expensive. Therefore, only a handful of the largest importers using the Trans-Pacific supply chain can cover that expense. For them, he emphasizes, the benefits of trans-loading decline the further from the California seaports it is done. If it is attempted in Salt Lake City, 800 rail miles from the Southern California seaports, its costs will be six times larger than its benefits—a highly negative value proposition.

Logistics Hub for the Western United States

Inland Port promoters insist that building an Inland Port in Salt Lake City would transform Salt Lake City into a distribution hub for the entire Western United States. Professor Leachman concludes that this is highly unlikely. Most high-volume retailers operate regional distribution centers in Southern California, Northern California, the Pacific Northwest, the Intermountain Region, and a number of other regions east of the Rockies. They also operate large import warehouses in Southern California, holding imports not needed in any region in the near term. It does not make economic sense for them to route via Salt Lake City the imports they allocate to regions other than the Intermountain Region, nor does it make sense for them to push imports to Salt Lake City that might be sold sooner on the West Coast.

By locating their distribution centers there, they can reach 40 million consumers within a day's drive. If they were to move their distribution centers to Salt Lake, he observes, there would be one-tenth as many consumers within a day's drive, and when their goods reached Salt Lake, most would have to be backhauled to markets on the West Coast. He concludes that high-volume importers would not shift their regional distribution centers from LA to Salt Lake because it would slow their deliveries and increase their costs.

The few highest-volume importers who can profit from trans-loading already maximize their profits by doing it in Southern California and sending their goods, already trans-loaded, to Salt Lake. Because so few containers that reach Salt Lake could benefit from trans-loading here, Dr. Leachman concludes that there is little reason to build an Inland Port to do it.

Impact of a Transloading Facility on Exports

Dr. Leachman concludes that building a trans-loading facility in Salt Lake City could incentivize a narrow class of Utah's potential exports. He recognizes that low-density bulk exports (such as scrap corrugated cardboard) might benefit from a trans-loading facility designed to handle such freight, but Utah produces very little of these kinds of goods. He notes that a trans-loading facility would not reduce the costs of exporting high-density bulk freight (alfalfa, coal, mineral ore), nor would it reduce the cost of shipping Utah's most valuable exports (gold bars, medical supplies, integrated circuits, essential oils, etc.), since they travel by air freight.

Effects on Emissions from Imports

The proponents of the Inland Port claim that building a trans-loading facility in Salt Lake City will cause importers to shift the transportation of their containers traveling from Los Angeles to Salt Lake from truck to rail, thereby reducing pollution in the Salt Lake Valley. This ignores research showing that, with respect to many key pollutants, trucks are now cleaner than trains on a ton-mile basis. It also ignores the fact that the

containers that the Inland Port manages to shift from truck to rail in Los Angeles would otherwise have come to Salt Lake in trucks, already trans-loaded into domestic containers. Therefore, Dr. Leachman concludes, shifting imports from truck to rail in Los Angeles would not reduce the number of truck trips required to take containers to local warehouses in Salt Lake or reduce their associated emissions.

Dr. Leachman notes that handling containers and trans-loading their contents requires extensive use of heavy diesel equipment. Therefore, if imports that are currently trans-loaded in Los Angeles were, instead, trans-loaded in Salt Lake, there would be a net increase in all categories of diesel pollutants in Salt Lake.

Summary

Seeing that UIPA has nothing to show for the four years and millions of tax dollars it has already spent, lawmakers have changed UIPA's board and its director. But this failure cannot be explained by poor personnel choices alone. Prof. Leachman's study shows that UIPA's business model is fatally flawed regardless of who implements it, because an Inland Port located in Salt Lake City simply does not fit the needs of the Trans-Pacific supply chain. Therefore, we urge lawmakers to terminate the Inland Port project and dissolve the Utah Inland Port Authority.