Kentucky is a leading state for logistics—the transport of goods from point of origin to point of consumption. With the growth of e-commerce as well as the expansion of Kentucky’s auto industry and other economic sectors, the state has been able to parlay its infrastructure assets and prime location into billions of dollars in investments from some of the biggest players in logistics.

Paul Looney, the deputy secretary of the Kentucky Transportation Cabinet, said a number of economic shifts, Kentucky’s recent economic development successes and changing transportation needs are factors that need to be accounted for in the state’s transportation planning.

“The rise in e-commerce is unquestionably changing freight patterns and this trend isn’t slowing down,” said Looney, who this year serves as vice chair of the CSG Transportation & Infrastructure Public Policy Committee and who will be among the speakers at the CSG National Conference in Northern Kentucky-Greater Cincinnati. “With this rise comes more warehouses, with increased truck traffic and employee trips, in our urban areas where mobility is already challenging. And personal vehicles are being used more and more regularly for deliveries. We are monitoring these trends and will need to adjust our planning and travel demand modeling approaches to more accurately predict future system conditions and needs.”

The future of logistics has already had an impact in shaping some transportation projects in Kentucky. Looney pointed to a $67.5 million federal grant the cabinet was recently awarded to help build an I-71/I-75 interchange project in Northern Kentucky, which he said will help alleviate congestion in a rapidly growing area where Amazon has pledged to invest $1.49 billion to build a Prime Air Shipping Hub at the Cincinnati/Northern Kentucky International Airport (CVG).

Amazon won’t be alone among logistics players at CVG, said the airport’s Vice President of Customer Experience Adam Kressler, who will also speak at the conference. German logistics company DHL will be adding an additional 400 positions to its 4,600-person workforce next year. GE is adding jobs at a new manufacturing and distribution facility as well.

“The Northern Kentucky region is at the center of something transformative with Amazon building its global cargo hub at CVG,” Kressler said. “Construction is anticipated to begin on the initial portions of the Amazon project in 2019. … Amazon conservatively announced 2,700 new jobs to support its cargo hub. When last measured, the airport had a $4.4 billion economic impact on the region.”

Transportation infrastructure enhancements like the interchange project are helping to drive air cargo and logistics investments by providing essential intermodal connections, Kressler said.

“Access to major interstate highways is key to the success of our operating partners; moving cargo from plane to truck efficiently is critical,” he said. “The airport works hand in hand with the regional and state entities to ensure infrastructure is in place to support existing operations and future growth.”
Kressler said it’s important that state government continue to find ways to fund necessary infrastructure improvements that will enable continued growth at CVG and around the region.

But Looney sees a variety of significant challenges on the horizon for Kentucky, particularly when it comes to adequately funding and addressing the commonwealth’s future infrastructure needs.

“I believe we are on the cusp of a revolution in transportation, both personal and commercial,” he said. “Not only will connected and autonomous vehicles dramatically alter our fleet, but the one-to-one model of vehicle ownership and use will also be evolving. Services like Uber Eats, Amazon and others will reduce individual needs to drive and also own vehicles, especially in urban areas. Some of these things may reduce the burden on hard infrastructure, others will create additional demand that we may not have structured into our current gas-tax-based funding model. The challenge for us and all other states is to prepare ourselves to be flexible enough to take advantage of change as it occurs.”

One key partnership that is helping Looney and others in Frankfort better understand what could be on the horizon is a partnership with Waze, the crowd-sourced navigation app. Kentucky partnered with Waze in 2015, one of the first states to do so, and has used Waze data to more quickly respond to traffic situations and manage congestion more efficiently.

“This partnership is allowing us to better understand technology’s impact on our transportation user and network,” said Looney. “It’s also allowing us to better understand how tech companies view our issues and allowing us an opportunity to offer guidance to their product/platform.”

In addition, Looney said, economic development and the need to clear a path for the logistics industry are increasingly factoring into how his agency prioritizes major capital improvement projects. The cabinet uses a data-driven objective approach called SHIFT—the Strategic Highway Investment Formula for Tomorrow—to ensure dollars are invested where they will have the most impact.

“Our prioritization model uses economic development potential as one of its five basis scoring metrics,” Looney said. “This allows us to better understand and compare how transportation improvements can spur economic activity across the commonwealth.”

The Leading the Way in the Logistics Economy session, presented by the CSG Transportation & Infrastructure Public Policy Committee, will take place Friday, Dec. 7 during the CSG 2018 National Conference in Northern Kentucky-Greater Cincinnati.

Another key logistics player with operations in Northern Kentucky—UPS—will host the CSG Transportation & Infrastructure Public Policy Committee’s meeting Dec. 7 during the CSG National Conference in Northern Kentucky/Greater Cincinnati. The UPS Global Logistics and Distribution Campus in Hebron is a three-year-old, 2-million-square-foot facility that provides warehousing, distribution and e-commerce expertise to support a variety of industry clients, including sectors of retail/consumer goods, high-tech and healthcare.

By:
Thursday, November 15, 2018 at 03:42 PM
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