

EXECUTIVE SUMMARY

Located in northwest Tennessee, the proposed infrastructural development of the Port of Cates Landing will alter economic dynamics in the three-county region (Dyer, Lake, and Obion). Dyer, Lake, and Obion counties have long been affected by the flight of manufacturing companies. The proposed infrastructural investment of \$35 million in the Port at Cates Landing will create a truly intermodal transportation system in the region, connecting area businesses to the Mississippi River, the Canadian National Railroad via the Tenn-Ken Railroad, and local and interstate highway systems (future I-69). Furthermore, the proposed industrial park development adjacent to the Port at Cates Landing is expected to generate considerable business interest because the Port and the proposed industrial park are located above the 100-year floodplain.

The Business and Economic Research Center (BERC), Middle Tennessee State University, is retained by the Northwest Tennessee Regional Port Authority to assess the contributions of the proposed investment in the Port at Cates Landing to the economy of the three-county region (Lake, Dyer, and Obion) and its surrounding areas.

The BERC's estimates include the (1) benefit-cost ratio and (2) regional economic impact of the proposed investment. In the absence of survey data and given the time constraints, the BERC used several methods to estimate first cargo volume and then the benefit-cost ratio and regional economic impacts. Impact estimates were obtained using the IMPLANpro model.

Study Findings:

The Study Region. The basic characteristics of the study region (Dyer, Lake, and Obion counties) are:

- A per capita income equivalent to 71 percent of U.S. per capita income
- An unemployment rate 3.1 percentage points higher than that of the U.S.
- A declining population (down 1.8 percent from 2000 to 2008)
- A poverty rate 4.1 percentage points higher than that of the U.S.

Benefit-Cost Analysis. The proposed investment of \$35 million will generate the following public benefits over the life cycle of the port, which is 50 years:

- Transportation cost savings (in present value, in 2009\$) of \$60.4 million
- Fatally and injury reductions (in present value, in 2009\$) of between \$147 million (lower) and \$386 million (upper)
- An estimated benefit-cost ratio (BCR) of between 2.89 (lower) and 6.21 (upper)

Regional Economic Impact: The proposed \$35 million investment will create a variety of economic opportunities for the area's population—some short-term, most long-term.



Short-term economic impact:

- New jobs between 406 (the port) and 2,184 (the port and the steel mill)
- Business revenues between \$46 million and \$236 million
- Personal income between \$16.1 million and \$82.8 million

Long-term economic impact:

- New permanent jobs between 1,703 (the port and industrial park) and 2,355 (the port, the park, and the steel mill)
- Business revenues between \$259.2 million and \$463.6 million
- Personal income between \$59.7 million and \$87.3 million
- Retention of 2,293 related jobs in the region

Implications of Study Findings for the Region. The findings suggest that the proposed investment will

- boost the local payroll by \$45.2 million
- increase local government revenues by \$8.5 million
- reverse the declining population trends by creating employment opportunities in the region
- increase per capita income by 3.9 percent
- reduce the unemployment rate by 6.5 percentage points
- reduce the poverty rate by nearly half in the core region

Conclusion. The study indicates that benefits to both the general public and the regional economy outweigh the cost of proposed investment. Given the nature of investment and the extent of economic distress in the study region, the findings of this study strongly recommend the proposed investment.



EXHIBIT A: BENEFITS AND COST OF NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY AT CATES LANDING PROPOSAL: A SUMMARY ANALYSIS

LONG TERM BENEFITS TO REGIONAL ECONOMY*

- I. Permanent Jobs: **1,703**
with Steel Mill: 2,355 jobs
- II. Business Revenue (Output): **\$259.2 million**
with Steel Mill: \$463.6 million
- III. Value-Added (GRP): **\$90.2 million**
with Steel Mill: \$133.0 million
- IV. Personal Income: **\$59.7 million**
with Steel Mill: \$87.3 million
- V. Retaining Export-Dependent Jobs: **2,293 jobs**

BENEFITS TO GENERAL PUBLIC

- I. Economic Competitiveness (Transportation Cost Savings to Producers) (50-Year Port Life Cycle/ Discounted to 2009): **\$60.4 Million**
- II. Fatality Reduction (50-Year Life Cycle/Discounted): **\$66.3 Million**
- III. Injury Reduction (50-Year Life Cycle/Discounted): **\$80.7 Million**
- IV. Emission Reduction: Not Monetized
- V. Hazardous Material Spill Reduction: Not Monetized
- VI. Highway Wear and Tear: Not Monetized
- Total Benefits (Lower/Upper Bound): **\$207.4 million/\$446.3 million**
- Benefit-Cost Ratio: **2.89 (Lower)/6.21 (Upper)**

Benefit-Cost Analysis:
 Total Cost (2009 \$): \$34,768,347
 with the foregone return to investment (2009\$): \$71,828,284
 Real Cost of Borrowing : 2.70%

SHORT TERM BENEFITS TO REGIONAL ECONOMY*

- I. Immediate Job Effects: **406 - 2,184 jobs**
 - II. Business Revenue (Output): **\$46 - \$236 million**
 - III. Value-Added (GRP): **\$20.2 - \$105.2 million**
 - IV. Personal Income: **\$16.1 - \$82.8 million**
- *These short-term regional benefits are based on two scenarios: (1) the Port and Industrial Park and (2) Major Industry Location. Impact lasts nearly three years.

REVENUES

- SHORT TERM:**
- I. Local Revenues: **\$0.4 - \$1.4 million**
- II. State Revenues: **\$0.8 - \$4.4 million**
- III. Federal Revenues: **\$2.8 - \$17.1 million**
- LONG TERM:**
- I. Local Revenues: **\$1.0 - \$1.9 million**
- II. State Revenues: **\$4.5 - \$6.6 million**
- III. Federal Revenues: **\$8.3 - \$14.1 million**

