

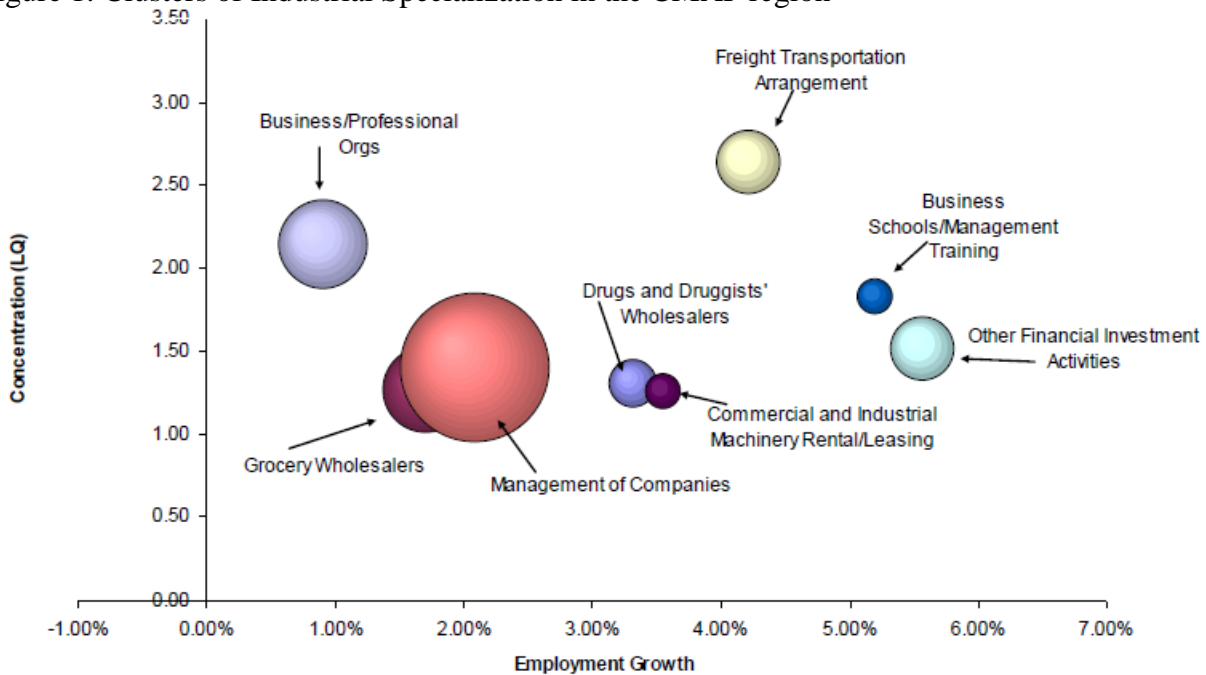


MEMORANDUM

To: CMAP Freight Committee
From: Brett Baden, Senior Economist
Date: January 14, 2011
Re: Freight Cluster Drill Down Report

GO TO 2040 recommends that CMAP perform research to “drill down” into the Chicago region’s clusters of industrial specialization in order to identify workforce, infrastructure, and financing needs, and to provide strategies for coordination and communication. The goals are to provide a deeper understanding of the specializations in the region to policy-makers, to identify any needs that the public sector can address, and to address and encourage economic growth. The drill down report on the freight cluster will be the template for several CMAP drill down reports into other clusters. Figure 1 shows the clusters of regional specialization identified by CMAP.

Figure 1: Clusters of Industrial Specialization in the CMAP region¹



¹ From CMAP, *Industry Cluster Analysis: Regional Economic Base Analysis* (Chicago, June 2009).

As Figure 1 shows, the freight cluster is very important to the region, being more than 2.5 times as concentrated as the national average, and showing employment growth between 4 and 5 percent per year (these are pre-recession data).

The drill-down reports are meant to inform policy-makers and political leaders about the challenges faced by firms that generate economic growth and jobs. As noted in GO TO 2040, while most innovation is led by the private sector, there may be under-investment in innovation because firms may fear that competitors will benefit from such investments, and because information gaps can constrain economic activity. By identifying challenges and opportunities, public officials can more effectively use public resources to provide solutions.

The cluster drill down will contain analyses not produced or collected elsewhere that will complement other CMAP cluster-oriented work. The report will begin with some historical background on the industry in the region, and then will summarize some of the core challenges the cluster faces. The cluster will then focus on several key economic analyses:

1) **Cluster Industry Economic Multipliers**. This analysis will show how the freight industry is linked to other industries in the region. This will be based on looking at the economic multipliers of economic impact from input/output software that measures the economic effects of policy interventions. The multipliers embedded in input/output models (such as IMPLAN) are estimated based on historical trends in the economy.

2) **Shift-Share Analysis** This type of analysis compares regional, industry-wide, and nation-wide business trends. This is a standard practice in clusters analysis, but has not been done in the Chicago region to date.

3) **Workforce Development Analysis** This part of the report will collect details about the leading training, education, and economic development programs related to the freight cluster. This analysis will also inventory where coordination and alignment is occurring, identify best practices, uncover opportunities for greater coordination, and identify barriers to alignment and propose recommendations for improved alignment.

4) **Barriers to Business Operations**. This analysis will add value to freight policy discussions by bringing together detailed information specifically about regulatory and institutional barriers to freight business operations in the region. Several reports have addressed this topic in part, but this report will be more comprehensive and will recommend specific implementation actions to address business impediments. Examples of this include parking restrictions, night-time delivery restrictions, and poor information about routes and regulations across towns.

If the following methodologies are feasible (given technical and data constraints), they will also be included in the analysis.

5) Business Starts / Closures Analysis CMAP has partnered with World Business Chicago and the Chicagoland Chamber of Commerce to assess whether it is possible to track which businesses fail, and where and when new start-ups occur for the region based on Dunn and Bradstreet data. At this time it is not clear if a working methodology can be established.

6) Labor Demand and Supply Analysis This part of the report will follow a format similar to the Chicago Workforce Investment Council (CWIC) in their “Deep Dive” reports.

These reports draw from local knowledge to forecast the amount of labor available, the demand for labor, and likely regional wage levels for the next several years.

The analysis of freight should also work synergistically with similar drill-down efforts by the Chicago Federal Reserve and the Chicago Manufacturer's Renaissance Council (CMRC); and the Chicago Workforce Investment Council (CWIC). The Fed and CMRC are doing a drill down into the advanced manufacturing cluster, and CWIC has looked at green technology and is starting to look at manufacturing, and information technology (including health specific applications of IT).

As the CMAP freight drill down project moves forward, staff will present interim findings to the Freight Committee. Overall, staff believes that this committee can add value in at least several different ways:

- 1) Review of the proposed approach and feedback on the overall direction and scope of work.
- 2) Assistance with the barriers to business operations piece. Staff will compile a more specific list of barriers in the near term, and then seek a qualitative assessment from meetings with key industry leaders in the spring. Staff would like assistance in identifying these key industry leaders.
- 3) Review interim stages of this report to ensure that it is proceeding as a useful tool for regional policy makers.

Expected completion of this report is in October 2012. Subsequent drill-down reports will likely focus on energy, bio-med/bio-tech, and other clusters as they are identified.