

The I-69 Evansville-to-Indianapolis Study
Tier 1 Environmental Impact Statement

Task 3.4 Technical Report
Regional Economics Needs Analysis

September 26, 2001



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1.0 Overview

The Regional Economic Needs Analysis is a component of the Purpose and Need Analysis for the *I-69, Evansville to Indianapolis Study*. It analyzes the economic needs within the project study area. It examines the economic climate for both its citizens and its businesses.

The Regional Economic Needs Analysis was prepared by Bernardin, Lochmueller & Associates, using a variety of data, including those published by the US Bureau of the Census, Indiana Department of Workforce Development, and US Bureau of Economic Analysis. Two technical reports served as significant references for this Regional Economic Needs Analysis. These were the *United States Department of Agriculture (USDA) Rural Development Strategic Plan, Revised 1-2001*, and the *Evansville-to-Indianapolis (I-69) Project: Regional Economic Needs Analysis* prepared for the Indiana Department of Transportation by the Council for Urban Economic Development (CUED). CUED is part of the project team for this study, and CUED was under contract to provide this analysis.

In conducting this analysis, it became clear that the Indianapolis Metropolitan Statistical Area (MSA) constitutes a separate and distinct economic unit. The difference between economic activity in the Indianapolis region and the rest of Indiana is both quantitative and qualitative. The Indianapolis MSA is many times larger than other urban centers in Indiana. Further, it has a range of business and financial activities not found elsewhere. Therefore, for purposes of the economic analysis, the entire nine-county Indianapolis MSA is excluded from the economic analysis. In analyzing economic needs in Southwest Indiana, it is compared with the rest of the state. The four counties of the Indianapolis MSA (Morgan, Marion, Hendricks, and Johnson) in the study area are excluded from the economic comparison, as are the five counties in the Indianapolis MSA (Boone, Hamilton, Madison, Hancock, and Shelby) which are outside of the study area. In this way, the comparison of Southwest Indiana with the rest of the state will provide a meaningful, “apples to apples” comparison. To do otherwise would artificially split the Indianapolis region into two separate halves.

These four counties of the Indianapolis MSA (Morgan, Marion, Hendricks, and Johnson) within the study area will be included in the impacts analysis of proposed highway routes. Any route between Indianapolis and Evansville will pass through one or more of these counties.

Section 2 of this report examines the economic needs of the study area’s residents. Section 3 analyzes the economic needs of its businesses.



2.0 Regional Economic Needs - Residents

2.1 Introduction

Leading up to this present study, there have been many anecdotal claims that the residents of Southwest Indiana are economically disadvantaged compared to the rest of Indiana, as well as to the United States as a whole. A wide-ranging analysis of data published by state and federal agencies was undertaken to assess the validity of these claims.

The analysis focused on the following six measures of economic vitality:

- Personal Income
- Poverty
- Population Growth
- Employment Growth
- Unemployment
- Overall Stress

2.2 Personal Income

Personal income is perhaps the most basic of measures of economic well-being. It measures the amount of money people have to purchase goods and services.

Per capita personal income for the study area was compared with the rest of the state. Table 1 summarizes the comparison, which goes back to 1970. It shows that since 1970, per capita personal income in the study area has been lower than the rest of Indiana.



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Table 1 - Comparison of Per Capita Income, Study Area and Rest of Indiana					
Year	Study Area, Excluding Indy MSA		Rest of State, Excluding Indy MSA		Study Area As % of Rest of State
	Personal Income (\$, thousands)	Per Capita Personal Income	Personal Income (\$, thousands)	Per Capita Personal Income	
1970	\$ 2,672,757	\$ 3,380	\$ 11,975,605	\$ 3,788	89%
1975	\$ 4,350,732	\$ 5,363	\$ 18,778,111	\$ 5,761	93%
1980	\$ 7,496,711	\$ 8,796	\$ 30,744,608	\$ 9,229	95%
1985	\$ 10,525,150	\$ 12,314	\$ 41,712,019	\$ 12,720	97%
1990	\$ 13,818,988	\$ 16,136	\$ 56,035,098	\$ 16,912	95%
1995	\$ 17,513,859	\$ 19,747	\$ 72,024,650	\$ 20,995	94%
1998	\$ 20,452,804	\$ 22,745	\$ 84,119,400	\$ 24,106	94%
<i>Source: Stats Indiana</i>					

Further study showed that there are significant concentrations of counties in the study area which have particularly low levels of income. For this and many other parts of the regional economic analysis, we consulted the *FY 2001 Indiana Strategic Plan*, published in January 2001 by the United States Department of Agriculture, Rural Development Agency. The USDA Rural Development Agency prepares an annual strategic plan for rural Indiana. The study analyzes many sources of data which can be used to assess the economic and social health of Indiana counties.

The USDA study determined “Effective Buying Income” (EBI) at the household level for all counties in Indiana. EBI is calculated as personal income, minus taxes and non-tax payments. Table 2 shows the EBI for all counties in the study area outside of the Indianapolis MSA.



County	Median Household Effective Buying Income (EBI)	Rank in State	Percent of Median County
Orange	\$27,702	92	77%
Martin	\$28,281	91	79%
Crawford	\$28,781	90	80%
Pike	\$28,794	89	80%
Daviess	\$28,797	88	80%
Greene	\$28,854	87	80%
Knox	\$28,899	86	81%
Vigo	\$29,677	82	83%
Clay	\$29,895	81	83%
Sullivan	\$29,950	80	84%
Owen	\$30,338	79	85%
Perry	\$31,831	72	89%
Lawrence	\$32,278	68	90%
Gibson	\$32,353	67	90%
Monroe	\$33,285	62	93%
Vanderburgh	\$33,329	61	93%
Putnam	\$35,059	53	98%
Spencer	\$35,567	49	99%
DuBois	\$40,455	19	113%
Warrick	\$43,421	12	121%
Posey	\$43,750	11	122%
Brown	\$43,940	8	123%

Source: USDA Rural Development Agency, FY2001 Indiana Strategic Plan, Appendix 1

These data show that a sizable number of counties in the study area have low levels of household income. Of the 14 counties in the state with the lowest household income, 11 are in the study area. The median household effective buying incomes (EBI) in these 11 counties range between 77% and 85% of the county with the median value (Adams County, \$35,851). Further, of the 22 study area counties outside of the Indianapolis MSA, only 4 (DuBois, Warrick, Posey, and Brown) rank in the top half of counties statewide in EBI.

By comparison, there are 61 counties in the rest of Indiana outside of the Indianapolis MSA. Of these 61, 34 rank in the top half of counties statewide in EBI. On a percentage basis, only 18% (4 of 22) of the study area counties outside of the Indianapolis MSA are in the top one-half of the state in EBI. By comparison, 56% (34 of 61) of counties in the rest of the state outside of the Indianapolis MSA are in the top one-half of the state in EBI.

In summary, large parts of the study area have low levels of income, compared with the rest of Indiana. The study area is significantly over-represented by the number of counties with low levels of household income.



2.3 Poverty

Poverty refers to a state where the level of household income such that the family, and every individual in it, is considered poor.¹ Poverty is a measure of income **inadequacy** - the level at which it can be said with certainty that family income is inadequate.² Poverty levels are measured annually by the US Bureau of the Census.

Our analysis found a number of counties in the study area with high concentrations of poverty. The USDA Study, drawing on information for the US Bureau of the Census, found that 10 of the 20 Indiana counties with the highest poverty rates are in the study area. Further, the four Indiana counties with the highest poverty rates are in the study area. Table 3 shows poverty rates in these counties.

County	Poverty Rate (Percent of all Persons Living in Poverty)	Rank in State
Crawford	15.4%	1
Vigo	14.6%	2
Knox	14.5%	3
Sullivan	14.1%	4
Daviess	13.3%	9
Orange	13.2%	10
Monroe	12.0%	16
Marion	12.0%	17
Vanderburgh	12.0%	18
Owen	11.8%	20
1997 Poverty Rate for all of Indiana - 9.9%		
<i>Source: USDA Rural Development Agency, FY2001 Indiana Strategic Plan, Appendix 1</i>		

2.4 Population Growth

Population growth is a measure of economic opportunity. People tend to locate where employment opportunities allow them to provide adequately for their families. It is unusual for population in a sizeable area (such as a county or a region of the state) to actually decline over an extended period of time. A more typical indication of a lack of economic opportunity is that

¹ *How the Census Bureau Measures Poverty*, www.census.gov/hhes/poverty/povdef.htm.

² *The Development and History of the U.S. Poverty Thresholds - A Brief Overview*, www.aspe.hhs.gov/poverty/papers/hptgssiv.htm.



population growth rates are low compared to other areas. This usually indicates a net out migration - more people are moving out of an area than are moving into an area.

People in younger working age categories are more likely to migrate in response to economic opportunity. Much anecdotal evidence has been offered by area leaders and residents that young people, especially the most educated, tend to leave many parts of Southwest Indiana after receiving their education. These testimonies cite a lack of challenging, well-paying jobs for which these young people have been prepared.

For the last 40 years, Indiana as a whole has lagged significantly behind the rest of the United States in population growth. Between 1960 and 1999, United States population grew from 180,671,000 to an estimated 272,691,000³, equal to an annual growth rate of 1.06%. By contrast, between 1960 and 1999, the population of Indiana grew from 4,662,000 to 5,943,000, equal to an annual growth rate of only 0.62%. The population of the Study Area outside of the Indianapolis MSA grew from 736,000 in 1960 to 901,000 in 1999, equal to an annual growth rate of only 0.52%. In other words, population growth in Southwest Indiana outside of the Indianapolis MSA has lagged behind even the rest of Indiana, growing at slightly less than one-half the national rate.

When population data by county are examined closely, the degree to which Southwest Indiana lags behind the rest of the United States is more pronounced. During the period between 1969 and 1999, counties near Indiana University (Monroe, Owen, and Brown Counties) had a population boom. The populations in these three counties increased from 78,000 to 154,000, for an annual increase of 1.76%. In the rest of the study area outside of the Indianapolis MSA, the population grew from 658,000 to 748,000, for an annual increase of only 0.33%, or less than **one third** of the annual growth rate. Four counties in the Study Area (Knox, Martin, Sullivan, and Vigo) actually **lost** population during this time.

Table 4 gives population changes by county between 1960 and 1999. This clearly shows that the study area, outside of the vicinity of Indianapolis and Bloomington, has had a population growth less than one-third the national average over the last four decades. This is a significant indicator of a lack of economic opportunity in most of the study area, as compared to the rest of Indiana and the nation.

³ All data cited in this paragraph from *Population of Counties by Decennial Censuses: 1900 to 1990*, and *Population Estimates for Indiana Counties for 1999*; both by U.S. Bureau of the Census.



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Table 4 - Study Area Population Changes Outside of Indianapolis MSA, 1960 - 1999			
	Population		Annual Growth Rate
	1960	1999	
Brown	7,024	15,992	2.13%
Clay	24,207	26,903	0.27%
Crawford	8,379	10,739	0.64%
Daviess	26,636	29,084	0.23%
Dubois	27,463	40,093	0.97%
Gibson	29,949	32,230	0.19%
Greene	26,327	33,158	0.59%
Knox	41,561	39,051	-0.16%
Lawrence	36,564	45,752	0.58%
Martin	10,608	10,379	-0.06%
Monroe	59,225	116,923	1.76%
Orange	16,877	19,835	0.41%
Owen	11,400	20,619	1.53%
Perry	17,232	19,091	0.26%
Pike	12,797	13,021	0.04%
Posey	19,214	26,292	0.81%
Putnam	24,927	34,788	0.86%
Spencer	16,074	21,178	0.71%
Sullivan	21,721	21,535	-0.02%
Vanderburgh	165,794	167,922	0.03%
Vigo	108,458	104,349	-0.10%
Warrick	23,577	52,557	2.08%
	736,014	901,491	0.52%
Monroe, Brown	77,649	153,534	1.76%
Owen Cos.			
Rest of	658,365	747,957	0.33%
Counties			
Sources: <i>Population of Counties by Decennial Censuses: 1900 to 1990 and Population Estimates of Indiana Counties for 1999; both by US Bureau of the Census</i>			



2.5 Employment Growth

During the last quarter century, both Indiana as a whole, and the Study Area itself, have lagged significantly behind the rest of the United States in employment growth. Between 1974 and 1999, employment in the United States grew at an average annual rate of 1.74%.⁴ By contrast, employment in Indiana grew at an average annual rate of 1.12% during this same 25 year period. The Study Area outside of the Indianapolis MSA grew at a slightly higher rate, 1.17%, still significantly below the national average.

As with population growth, the distribution of employment growth throughout the study area varies. The areas near the City of Bloomington (Monroe, Brown, and Orange Counties) show job growth above the national average. Brown and Owen County have rates of job growth significantly **above** the national average. The Jasper/Huntingburg area (DuBois, Spencer, and Warrick Counties) also have employment growth rates higher than the national average. However, there is a band of counties along the western part of the study area with consistently low rates of job growth. This includes Vanderburgh, Gibson, Pike, Knox, Greene, Daviess, Sullivan, Clay and Vigo Counties. Table 5 below gives employment changes by county between 1974 and 1999.

⁴ All employment data from *Indiana Department of Workforce Development, Labor Market Information Services.*



Table 5 - Study Area Employment Changes Outside of Indianapolis MSA, 1974 - 1999					
County	Employment			Percent Growth	
	1974	1999	Change	Total	Annualized
Brown	5,020	8,640	3,620	72%	2.20%
Clay	9,170	11,560	2,390	26%	0.93%
Crawford	3,020	5,035	2,015	67%	2.07%
Daviess	10,375	13,300	2,925	28%	1.00%
DuBois	14,325	22,500	8,175	57%	1.82%
Gibson	12,525	15,640	3,115	25%	0.89%
Greene	10,400	13,370	2,970	29%	1.01%
Knox	14,950	18,270	3,320	22%	0.81%
Lawrence	15,525	21,220	5,695	37%	1.26%
Martin	3,800	5,000	1,200	32%	1.10%
Monroe	38,100	59,460	21,360	56%	1.80%
Orange	6,110	8,180	2,070	34%	1.17%
Owen	4,960	10,500	5,540	112%	3.05%
Perry	7,150	8,505	1,355	19%	0.70%
Pike	5,600	6,075	475	8%	0.33%
Posey	8,220	13,530	5,310	65%	2.01%
Putnam	10,625	16,130	5,505	52%	1.68%
Spencer	6,880	11,460	4,580	67%	2.06%
Sullivan	7,300	8,825	1,525	21%	0.76%
Vanderburgh	74,850	87,840	12,990	17%	0.64%
Vigo	47,850	46,730	(1,120)	-2%	-0.09%
Warrick	11,350	27,760	16,410	145%	3.64%
Total	328,105	439,530	111,425	34%	1.17%
<i>Source: Indiana Department of Workforce Development, Labor Market Information Services.</i>					

2.6 Unemployment

During the past decade, many counties have had consistently high unemployment rates. Unemployment rates fluctuate significantly, especially for smaller geographic units (such as counties). The USDA study referenced above compiled unemployment rate data for the decade of the 1990's. While unemployment is not a major problem throughout the study area, it did



show that six counties in the study area had high levels of unemployment throughout the decade of the 1990's. Specifically, of the eight Indiana counties with the highest average unemployment rate for the decade of the 1990's, six of them are in the study area. Table 6 gives these counties and their average unemployment rate.

County	Average Unemployment, 1990 - 1999	Rank in State
Orange	9.2%	2
Crawford	8.7%	4
Greene	7.9%	5
Perry	7.7%	6
Lawrence	7.5%	7
Sullivan	7.5%	8

2.7 Overall Stress

In January of 2001, the United States Department of Agriculture published its annual strategic plan for rural Indiana.⁵ This strategic plan has as its role "...helping the people of rural America develop sustainable communities."⁶

This USDA study identified certain rural communities in Indiana as "stressed." Stressed counties are considered as "... areas in Indiana that are having difficulty in being successful and sustainable."⁷ Factors which were considered in making this evaluation included housing, housing-related infrastructure, household income, poverty rates, employment, available health care, education, and recent business growth."⁸

Four of the seven counties considered to be the most stressed statewide (Crawford, Owen, Orange, and Pike) are in the 26-county study area. They include the three counties classified as

⁵ USDA Rural Development Strategic Plan for Indiana, Revised 1-2001.

⁶ USDA Rural Development Strategic Plan, Revised 1-2001, p. 1.

⁷ *Ibid*, p.12.

⁸ *Ibid*, p. 13.



being the most stressed (Crawford, Owen, and Pike).⁹ Further, of the 19 rural¹⁰ counties in the study area, nearly two thirds (12 out of 19) are rated as “stressed.” These include Crawford, Owen, Orange, Pike, Greene, Martin, Sullivan, Clay, Spencer, Lawrence, Perry, and Daviess Counties.¹¹ Figure 1 shows those counties in the I-69 Study Area which the USDA rates as “stressed.”

2.8 Conclusion

Not all of Southwest Indiana can be viewed as disadvantaged. However, using a variety of measures, this analysis strongly suggests that the majority of the population of the region is, in fact, economically disadvantaged by comparison to other parts of Indiana and the United States. While this level of disadvantage is not severe, a broad range of measures shows that it does exist. These measures include lower levels of personal income, higher concentrations of poverty, low levels of population and job growth, and concentrations of unemployment in the Study Area. Most of the rural counties in the study region are rated as “stressed” by the United States Department of Agriculture’s Rural Development Agency.

In the next section, we will consider whether a major highway improvement could help foster an improved business climate, which would in turn benefit the residents of Southwest Indiana economically.

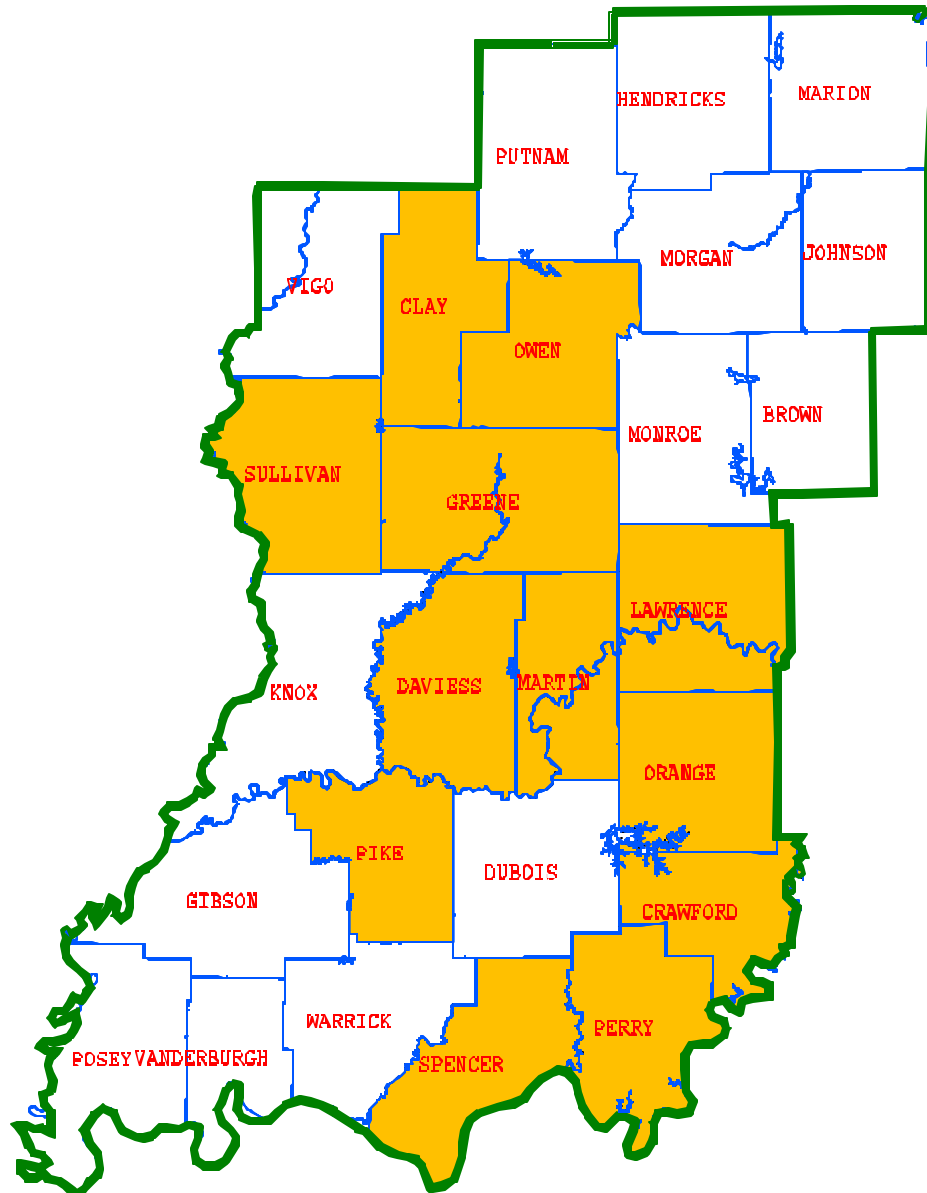
⁹ *Ibid*, p. 15.

¹⁰ A “rural” county is defined as one outside of the Indianapolis MSA which has no city with a population over 25,000.

¹¹ *Ibid*, p. 17.



Figure 1 – Stressed Counties in Southwest Indiana, 2001 (United States Department of Agriculture, Rural Development Agency, 2001 Strategic Plan)





3.0 Regional Economic Needs - Businesses

3.1 Introduction

In the previous section, we examined a number of economic indicators for Southwest Indiana and the I-69 Study Area. These indicators show, using a variety of measures, that residents of these areas are economically disadvantaged.

This next section will look at the business climate in this region and the role which transportation plays in the business climate. This is to assess if transportation improvements would improve the business climate, which could in turn improve the economic status of area residents. In addition, related major business needs will be addressed.

This analysis of the business climate will be divided into the following sections:

- Background Information
- Logistical Trends
- Anecdotal Concerns in Southwest Indiana
- Site Selection and Highway Access
- Industry Mix
- Work Force Composition
- Crane Naval Surface Warfare Center

3.2 Background Information

Within the United States, trucks are the overwhelming mode by which raw products and manufactured goods are shipped. National data from both the 1993 and 1997 Commodity Flow Surveys confirm the primacy of trucking, and therefore roadways, to transport products. In both the 1993 and 1997 surveys, over 88% all shipments (by total value) were moved entirely or partially by truck.¹²

Indiana is a leader in the transportation of goods by truck. The U.S. Department of Transportation reported in 1998 that for the calendar year 1993, only 5 states' road systems

¹² *Evansville-to-Indianapolis (I-69) Project: Regional Economic Needs Analysis.* Council for Urban Economic Development, October 2000. P. 38.



carried more ton-miles of traffic than Indiana's.¹³ California and Texas supported the most trucking, followed by Ohio, Illinois, Pennsylvania, and Indiana. This significant amount of truck traffic is critical to Indiana's economic strength and its economic development potential.

3.3 Logistical Trends

Logistical trends in our economy reinforce the contributions of highways and other roads to our nation's economy. The traditional reliance upon trucking for quick and reliable movement of products has been reaffirmed and expanded in recent years for several reasons.

Throughout the 1990s and continuing into the 21st century, "just-in-time" (JIT) delivery has rapidly gained favor for among businesses across the industrial spectrum. Advances in information technology have made it possible to greatly reduce inventory levels and inventory costs using JIT delivery. Manufacturers, wholesalers and retailers have come to *expect* frequent, smaller shipments as opposed to infrequent, larger shipments. According to the National Governor's Association and the American Association of State Highway and Transportation Officials, 50% of U.S. production was dependent upon JIT shipping by the end of the 1990's.¹⁴ The journal *Area Development* has documented a trend wherein customers increasingly *expect* even last-minute orders to be handled without pause.¹⁵ Trucking, and truck-air multimodal combinations are the modes best equipped to deal with such customer demands.

Related to the explosion in JIT shipping is a total rethinking of traditional warehousing operations. Warehouses are moving away from being storage facilities toward becoming "flow through" facilities. Many companies' inventories are stored in moving trucks on the nation's roadways. Companies have moved away from stockpiling extra products as even a precautionary move.¹⁶ It has been stated that "one of the most notable changes in warehousing today is the rapid movement of inventory as a way of reducing the high cost of maintaining it."¹⁷ As a result, companies increasingly are consolidating warehouses into large regional centers. The logistical centers are located where companies feel that the transportation infrastructure will allow the quickest service to the largest percentage of their customers. *Good roadways* which

¹³ *Ibid*, p. 40.

¹⁴ *Transportation and the Economy: National and State Perspectives*. American Association of State Highway and Transportation Officials, May 1998, p. 13.

¹⁵ "Information Systems Alter Logistics Site Selection," by David Poitevint, *Area Development*, August 1999.

¹⁶ *Ibid*.

¹⁷ "Warehouse Evolution: High-Tech Developments Get Industry Cooking," by Maria N. Weiskott, *Plants Sites & Parks*, February/March 2000.



offer *reliable, predictable travel times* are essential for locating these regional distribution centers.

The importance of trucking in goods movement has also been enhanced by the downward trend in shipment sizes. It is now common for shippers to send shipments that fill only a portion of a truck. Recent expansion in the number of time-sensitive shipping services offered by “less than truckload carriers” such as Roadway Express, Consolidated Freightways, Yellow Freight System, and ABF Freight System acknowledge this trend.¹⁸ In addition, e-commerce has helped to expand reliance upon trucking and road systems. Companies now use e-commerce to sell products to customers throughout the U.S. Companies are increasingly relying upon the U.S. Postal Service, UPS, Fed Ex, and other parcel shippers to serve this rapidly expanding market. Trucking is critical to all of these parcel, postal, and courier services.

The operations of couriers and parcel carriers are necessarily intermodal in nature. Roads underlie this growing intermodalism, whether they feed into railroad facilities, ports, cargo airports, or other product-transfer terminals. The study area includes or is near to many important intermodal hubs. Fed Ex’s 2nd largest package sorting hub and the Postal Service’s largest air sorting hub (covering 33 states) are in Indianapolis.¹⁹ Louisville, Kentucky is home to the world’s 10th largest cargo airport.²⁰ In addition, there are important Ohio River ports located in Evansville and New Albany, and major CSX rail intermodal terminals are located in Evansville and Indianapolis. Through their collective road systems, the counties in the study area have the opportunity to have access to many business opportunities if they have good access to these facilities.

3.4 Anecdotal Concerns in Southwest Indiana

During the visit of the CUED team to the study area, local businesses expressed a number of concerns about the road system in Southwest Indiana. These concerns are summarized below: more information may be found in CUED’s report, pp. 43 - 45.²¹

3.4.1 Trucks Along Rural Roads

¹⁸ See “Logical Logistics: Market Access Critical to Location Decisions,” by Maria N. Weiskott, *Plant Sites & Parks*, December 1999/January 2000.

¹⁹ See “Medium-Hub Airports: Making a Big Business Connection,” by Mary Welch in *Site Selection*, March 1999.

²⁰ See “Airport Infrastructure: Sending Cargo Hubs to New Heights,” by Tracy Heath, in *Site Selection*, September, 1999.

²¹ *Evansville-to-Indianapolis (I-69) Project: Regional Economic Needs Analysis*. Council for Urban Economic Development (CUED). October 2000.



A wide range of stakeholders, including public officials, economic development professionals, transportation operators, and citizens' groups, expressed the view that the region is geographically isolated due to inadequate roadways. Some businesses which are major shippers include the Crane Surface Warfare Center, which is served by over 8,000 trucks annually, the Grain Processing Corporation in Daviess County, and the Purdue processing plant (also in Daviess County).

3.4.2 Shipment Time

Many shippers consider that travel times are unacceptably slow and unpredictable in the study area. Factors cited as contributing to this included the lack of turning or passing lanes on two-lane roads, the presence of railroad crossings, and the presence of signalized intersections even on some major roads. Presuming that the changes in logistical trends described above continues, speed and reliability issues will grow in importance.

3.4.3 Loss of Prospects due to Transportation Inadequacies

There are many involved in economic development in the region who state that certain economic opportunities have been lost due to the lack of interstate or interstate-quality highways in the region. Even in counties already served by either I-64 or I-70, the lack of a proximate north-south interstate is perceived by some as problematic to attracting new businesses or encouraging existing businesses to expand. One development official related that companies sometimes eliminate Vincennes from consideration for new businesses because US 41 is not perceived as being as adequate as an Interstate highway.²²

3.5 Site Selection and Highway Access

The CUED panel analyzed the relationship between access to four-lane highways and economic growth in small towns. It found "(t)he majority of the most rapidly-growing small towns have access to four-lane highways of some kind. This suggests that highways are important factors in generating employment growth through business attraction, retention, and expansion."²³ This conclusion was based upon an analysis of the communities listed in "America's Top 100 Small Towns for Corporate Facilities," as listed in the March, 2000 issue of *Site Selection Magazine*. This analysis identified cities and towns outside of metro areas which attracted the largest numbers of new and expanded business facilities during the approximately 11 years between

²² *Ibid*, p. 44

²³ *Ibid*, pp. 62 - 63.



1989 and February 2000.²⁴ The study found that:

- \$ Of the 102 towns listed, 58 were located along either an Interstate or other fully access-controlled highway. Another 30 towns were located along a four-lane highway for which access was not fully controlled.
- \$ Thus, 86% (88 of the 102) small towns that were most successful in attracting significant new business were located along a four-lane highway.

This data strongly suggest that, in most cases, access to a four lane highway (though not necessarily an Interstate highway) is a necessary factor in attracting significant new industries to small towns. As the CUED panel stated, "... economic development in rural areas served directly by high quality four-lane highways does have potential to proceed on a different and larger scale than does development in rural areas that are more isolated from highway systems. Highways can peak (sic) the interest of site selectors in many industries. Still, individuals rural communities and regions may want only a moderate level of growth. For such areas, four-lane highway access is not critical."²⁵

3.6 Industry Mix

In light of the preceding discussion, it is helpful to consider trends within particular industries. A region's prospects for employment growth are better if it has a high representation of industries which are growing rapidly. The study area is significantly *under*-represented in industries which are fast growing across the nation. Key findings include:

- \$ Across the United States, the 10 most rapidly growing industries, measured by two-digit SIC code, include 14.1% of all jobs in 1997.²⁶
- \$ In Indiana, 10.0% of employment is in these 10 fastest growing industries.
- \$ In the Study Area outside of the Indianapolis MSA, only 8.0% of all employment is in these industries.

The same trends are seen when looking at the 20 most rapidly growing industries nationwide.

²⁴ *Ibid*, p. 48.

²⁵ *Ibid*, p. 54.

²⁶ Sources: U.S. Census Bureau (*County Business Patterns, Economic Census*); Indiana Department of Workforce Development; Bureau of Labor Statistics.



- \$ Nationally, these 20 most rapidly-growing industries have 40.3% of all employment in 1997.
- \$ In Indiana, employment in these 20 industries is 34.9% of all employment.
- \$ In the Study Area outside of the Indianapolis MSA, only 34.2% of all employment is in these industries.

Table 7 summarizes employment in these rapidly-growing industries nationally, in Indiana, and in the Study Area outside of the Indianapolis MSA.



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Table 7 - Employment in Rapidly-Growing Industries, 1997

Industry	1997 Employment		Study Area, Excluding Indy MSA
	Nationally	Indiana	
Nondepository institutions (SIC 61)	566,999	12,179	978
Business services (SIC 73)	8,017,839	128,859	10,970
Social Services (SIC 83)	2,246,164	42,591	6,597
Amusement and recreation services (SIC 79)	1,466,346	30,500	3,967
Agricultural services (SIC 07)	685,704	13,971	1,695
Motion pictures (SIC 78)	555,926	7,251	865
Security and commodity brokers (SIC 62)	674,821	6,023	574
Services, nec (SIC 89)	99,865	1,089	253
Museums and botanical and zoological gardens (SIC 84)	90,117	1,488	79
Local and interurban passenger transit (SIC 41)	451,196	5,090	1,191
Subtotal, top 10	14,854,977	249,041	27,169
Total employment	105,299,123	2,487,609	340,733
Percent of Total Employment, Top 10	14.1%	10.0%	8.0%
Transportation services (SIC 47)	421,621	4,673	671
Engineering and management services (SIC 87)	3,181,353	43,197	6,940
Transportation by air (SIC 45)	796,455	12,747	884
Educational services (SIC 82)	2,183,438	39,200	6,729
Auto repair services and parking (SIC 75)	1,107,152	26,495	3,262
Health services (SIC 80)	11,348,141	268,384	42,413
Trucking and warehousing (SIC 42)	1,940,123	61,978	7,876
Home furniture, furnishings and equipment stores (SIC 57)	866,807	18,351	3,150
Membership organizations (SIC 86)	2,207,886	58,751	7,310
Special trade contractors (SIC 17)	3,447,485	85,592	10,448
Subtotal, top 11 - 20	27,500,461	619,368	89,683
Subtotal, top 20	42,355,438	868,409	116,852
Total Employment	105,299,123	2,487,609	340,733
Percent of Total Employment, Top 20	40.2%	34.9%	34.3%
Sources: U.S. Census Bureau (County Business Patterns, Economic Census; Indiana Department of Workforce Development; Bureau of Labor Statistics)			



3.7 Work Force Composition

Many of the individuals whom CUED's panel interviewed indicated that Study Area counties, with the exception of those closest to Indianapolis and Evansville, have seen an exodus of college-educated individuals.²⁷ This is especially pronounced in the 20 to 39 age group. The exodus of skilled individuals who are prepared to obtain high-paying jobs represents a significant lost opportunity for many rural counties in the study area.

A related factor is the small size of the labor force in the study area. When considering a location for a new or expanded business, a company must consider the basic issue of just how numerically large a region's workforce is. Simply put, if a company hopes to employ 300 people in a new facility, it must be convinced that there are 300 people who live in areas with easy access to the proposed location who would like to work there. If accessibility to more potential workers is provided to a rural area, its opportunities for economic growth are enhanced. The issue of accessibility to potential employees is a major consideration for employers. For example, for a recent expansion of its workforce, the Toyota plant in Gibson county anticipated drawing individuals from within a 100 mile radius of its plant.²⁸

3.8 Crane Naval Surface Warfare Center

The CUED Panel identified the Crane Naval Surface Warfare Center as "one of the most significant economic development assets in Southwest Indiana."²⁹ The Crane facility exists to conduct and apply research in diverse and highly-technical product areas for the United States Navy. The Crane campus contains research, testing, and production facilities for a wide range of product lines. These areas include:

- \$ Electro-Chemical Power Systems
- \$ Electronic Displays and Peripherals
- \$ Acoustic Sensors
- \$ Microelectronics
- \$ Computers and Processors
- \$ Chemical-Biological Warfare Detection Systems
- \$ Physical Security Systems
- \$ Small Arms

²⁷ *Evansville-to-Indianapolis (I-69) Project: Regional Economic Needs Analysis.* Council for Urban Economic Development (CUED). October 2000, p. 21

²⁸ *Ibid*, p. 22.

²⁹ *Ibid*, p. 55.



- \$ Pyrotechnics
- \$ Ground and Surface Ordnance
- \$ Electronic Countermeasures and Surveillance Systems
- \$ Night Vision/Electro-Optics
- \$ Microwave Components
- \$ Radar
- \$ Mine Countermeasures
- \$ Environmental Technologies

Crane maintains a focus on the “management and application of commercial technologies.”³⁰ It is interested in encouraging mutual exchanges with the private sector and academia. These include encouraging private industries to locate on the Crane ground, as well as to encourage private sector development just beyond its borders.³¹

Crane’s highly skilled work force of over 3,800 includes 2,100 scientists, engineers, chemists, technicians, logistics management specialists, and other professionals. This high quality work force is expected to grow by another 150 scientists and engineers in the near future.³²

It also found that “... the opportunities for industrial, high-tech, and other developments related to Crane remain largely untapped.”³³ Geographic isolation is cited by officials at Crane as hindering this development potential.³⁴ The CUED report cites other government facilities or former government facilities which have been much more successful in attracting new private economic development. Each of them (Oak Ridge National Laboratory, Nevada Test Site, Largo Electronics Weapons Plant, and Fort Devens) all have access to at least one high-quality four-lane divided road.³⁵

By contrast, Crane is geographically isolated, and must be reached by a series of two-lane state and US highways. Crane was originally intended to be geographically isolated due to the nature of its work, and the era of its construction in the 1940's³⁶ A quality road system to improve access to Crane would be very helpful to encourage Crane’s untapped potential to encourage industrial

³⁰ *Ibid.*, p. 56

³¹ *Ibid.*

³² *Ibid.*, p. 58

³³ *Ibid.*, p. 55

³⁴ *Ibid.*, p. 58.

³⁵ *Ibid.*, p. 59

³⁶ *Ibid.*



and high tech development

3.9 Conclusion

In Section 2, a variety of indicators suggest that the residents of Southwest Indiana are economically disadvantaged, compared with the rest of Indiana and the nation. In Section 3, significant anecdotal evidence suggests that Southwest Indiana's businesses suffer a similar competitive disadvantage and that highway transportation is one factor that has contributed to this problem. Key points include:

- \$ Logistical trends in the U.S. economy means that the availability of high-quality highways are an increasingly important contributor to a region's economic well-being.
- \$ For small towns which wish to have a significant level of economic development, access to high-quality, four-lane divided highways is a factor in over 85% of the cases surveyed.
- \$ Inadequacies in Southwest Indiana's transportation system is seen by business leaders and economic development professionals as a barrier to economic development.
- \$ Southwest Indiana's mix of industry is under-represented in industries which are fast-growing on a national level.
- \$ In many parts of the Study Area, there have been an exodus of younger, college-educated workers, due to a lack of challenging, high-paying employment.
- \$ The Crane Naval Surface Warfare Center represents a significant potential asset for economic development which is relatively untapped. One significant reason that it is an untapped resource is the lack of highway access to the Crane facility.

It may be concluded that a major highway improvement could improve the business climate in Southwest Indiana and that this could, in turn, increase the level of economic opportunity for the region's residents. This is not meant to suggest that transportation is the only component of regional economic well-being. It is recognized that many other factors contribute to economic health.



4.0 Conclusion

This study gives evidence to show that the population of Southwest Indiana is economically disadvantaged, compared with those who live elsewhere in Indiana, as well as elsewhere in the United States. Further, an important factor contributing to a lack of economic opportunity is the inadequacy of the highway network in the region. This inadequacy is an impediment to business growth and expansion.

At the same time, there are many factors which contribute to a favorable business climate and regional prosperity. Transportation is one factor. Many other factors contribute to a favorable economic climate, and there are many things which local public officials and development specialists can do to contribute to that climate. It is beyond the scope of this highway study to consider non-transportation factors. However, since these economic problems have been identified, and highway transportation has been identified as a contributing factor, it is appropriate to compare alternative highway improvements based on the degree to which each may help to improve these economic circumstances.

I-69 is fundamentally is a transportation project. However, we have determined that there are certain regional economic needs, and highways can help address these needs. Therefore, we will compare the economic development potential of alternative routes.

The approach which the I-69 study will take toward economic development is to see it in that context. It is a demonstrated need in the study area. Highways can be a significant spur to economic development, and it is only prudent to evaluate alternative highway routes for their economic development potential. At the same time, economic development is a secondary need, compared with transportation purposes.