

Summary of International Commerce Mobility Forum #2

Date: April 4, 2023

Location: SRF Consulting Offices

Opening Remarks:

- Jim Hovland, Mayor of Edina and Chair of Global Wellness Connections, emphasized exploring the volume of air freight moving via truck for international distribution through Chicago.
- Bill Goins of GWC and Andy Mielke of SRF Consulting Group highlighted the forum's logistics and SRF's hosting.

Presentations and Discussions:

1. **Dr. John Pournoor (Government Analytica):** Discussed the impact of megatrends like deglobalization and re-shoring on transportation and logistics, emphasizing the need for resilience in supply chains. He highlighted the significance of data analytics in decision-making and the potential increase in truck traffic in Minnesota.
2. **Libby Ogard:** Proposed exploring "trailer on railcar" as a cost-effective, reliable transportation option to Chicago, underlining the importance of precise data for strategic planning.
3. **Charles Edwards (SASI World):** Addressed shifts in the air cargo industry, with customer-driven demands transforming operational dynamics, emphasizing the need for digital platforms and transparency.
4. **Stephano Smars (Trade Commissioner, Wallonia):** Introduced Liege Airport, a major cargo hub in Belgium aiming for carbon neutrality by 2030, highlighting its strategic position in Europe.
5. **Mark Ritchie:** Stressed the role of the Global Wellness Connections in fostering Minnesota's global logistics and its bid for the 2027 World's Fair, focusing on direct flight connections for passenger and cargo transport.
6. **Mike Loney (Abbott Labs):** Discussed the potential impact of data-driven decisions on air freight strategies, especially the importance of a direct air route from MSP to Liege.

General Discussion and Next Steps:

- Emphasis on collaboration and data sharing among organizations to optimize supply chain strategies.
- Anticipation of the Greater MSP's progress report on supply chain studies at the next forum.
- Proposal to explore non-stop flights between MSP and Liege based on comprehensive data on air freight volumes.

Conclusion: The forum concluded with a call for action-oriented agenda setting for the next meeting, aiming to refine data-driven strategies for enhancing international commerce mobility through Minnesota.

Acknowledgment to Curt Johnson for note-taking and Bill Goins for coordination.

Detailed Minutes of

International Commerce Mobility Forum #2

INTERNATIONAL COMMERCE MOBILITY, (ICM), FORUM #2
SRF CONSULTING OFFICES, (thanks again to our partners at SRF for hosting this Forum!)

April 4, 2023

Opening remarks:

Jim Hovland, Mayor of Edina and the Chair of the founding leadership team of Global Wellness Connections, (GWC), made the opening remarks. Mayor Hovland is also the chair of the Transportation Advisory Board of the Metropolitan Council and on the transportation committee of the U.S. Conference of Mayors. Mayor Hovland reminded the group that the aim here is to find out how much air freight is moving via truck for international distribution through Chicago.

Bill Goins, VP of Commerce Mobility, for the GWC, then started the meeting, turning to Andy Mielke, VP of the SRF Consulting Group. Mr. Mielke reminded everyone in the room and those connected by Zoom, about basic services available at SRF for this Forum. These included services from a technology standpoint, (use of microphones), and refreshments for those in the room that are available for the Forum. Mr. Mielke introduced Todd Polum, President and CEO of SRF Consulting Group, who provided greetings as our host for this Forum.

Then Mr. Goins called for brief introductions, (name, title and organization), of attendees in the room and those joining us via Zoom.

First presenter: Dr. John Pournoor, Government Analytica, presented: Transportation, Logistics, and Economic Growth

Dr. Pournoor went over the values and incentives that prompt governments to invest in projects. He quoted John Naisbett, who said that most people like to ride horses in the direction they are already going. Still, megatrends are changing things: globalization is on a downward trajectory with supply chains being reorganized; market access is the goal, as companies work to re-shore chains or at least make them more resilient. In Minnesota, our gross state product has been a little more than \$400 billion. Dr. Pournoor broke down that figure by various industries involved. He also analyzed the gross output by geography, showing Canada, Mexico, and China being the highest recipients and the rest of the world being dominant. Government tends to invest in companies with a global reach that are very competitive. Biden policy has been, in addition to the obvious, a reach for resiliency of supply chains. There is a big trend toward greater diversity in sources and revitalizing American sources. He quoted John Gibson, who said "The future is already here, it's just not evenly distributed."

With the 4th largest system of roads in the U.S., he pointed out that Minnesota will see at least a 10 percent increase in truck traffic over the next decade. MN investment will increase as the federal government steps up its share. Question: what kind of analytics can we do when we don't know everything, when we don't have a complete set of data? GA does a lot of tracking of organizations -- public and private. It analyzes these data to form conclusions where possible. Let's say we had a \$100

million investment dollars. What would we do to increase the likelihood of a positive outcome? Three trends are intertwined: de-globalization, trade barriers, and re-shoring. What does all that mean for Minnesota freight?

Mr. Goins said that if we are to discover how much freight is moving by truck to Chicago, we need data. We hope that by May 18, when this group meets again, we will know more than we do today, or at least refine the question.

Libby Ogard was asked by Mr. Goins to talk about her research on a possible 3rd option that could provide time definite, low cost, but reliable transportation to Chicago. This option is trailer on railcar. As we continue to understand the options that either are or should be available to Minnesota shippers and receivers, with the right data, we can continue to look for the right answers, as we are attempting to do on this question of how much international air freight is moving to/from Chicago. And what would you add to our infrastructure, given the megatrends at work? Ideally, you want things to be made close to the distribution destinations. That is of course not always possible. So the best you can do is to know which markets you are targeting and what is the best way to get products there, which may be very different from today's practice. And cost matters in every analysis...certainly requiring the right data.

Second presenter: Charles Edwards - SASI World - "Disruptions in the Air Cargo Industry"

Mr. Edwards talked about how airlines all over the world are finding that if they don't have cargo on board, they are not making money. There has been a shift in control: customers are now in charge. The pandemic blew up the just-in-time model. They say that anything can get anywhere in 72 hours. That's getting difficult to do. And you have to have a digital platform in order to compete? Things are not cost-driven anymore. Replaced by values like transparency, consistency, quality, reasonable pricing. That's what makes it possible to predict arrival by a certain time.

The concept of BCOs (benefitted cargo owners) are in charge, determining the routes. The new system lacks experienced people, is more geared toward individual destinations, and creates many new opportunities. The airports are not just a landlord, they are partners in the process.

Third presenter: Stephano Smars - Trade Commissioner, Wallonia region of Belgium, based in Chicago. Commissioner Smars presented a Primer on Liege - which is a dedicated cargo airport in Belgium. Liege arose from a wasteland. It became a major cargo airport, which also intends to be carbon-zero by 2030. The airport is in the middle of the golden triangle of Frankfurt, Amsterdam and Paris. It serves 250 million customers in less than one day by truck, including pharma and healthcare products. Mr. Goins pointed out that we need to be thinking both ways, from Liege as well as to Liege.

Fourth presenter: Mark Ritchie - Our former Minnesota Secretary of State, our Minnesota and Expo's "ambassador to the world," and Mark is a member of the founding leadership team of the GWC. This presentation centered on the importance of GWC as an initiative that follows in Minnesota's tradition of "looking ahead" and taking action to prepare the ground so that future generations can enjoy the benefits that we've enjoyed thanks to the future thinking and civic initiatives of prior generations. This reputation has been an important element in the positioning of Minnesota as the place on the planet that should host the 2027 World's Fair whose theme is "Healthy People, Healthy Planet."

This is playing out right now by the effort underway to secure a direct flight from MSP airport to Dubai - a wide-body carrying passengers headed to Africa, the Middle East and Asia, and flights that would carry high-value goods, like medical devices, as cargo headed to the same markets. This kind of forward motion in terms of global logistics is the kind of big thinking that makes a difference inside of our Expo bid.

Mike Loney — is the Senior Manager of the largest med-tech distribution center in the state, for Abbott Labs.

Mr. Loney described, as has previously presented/discussed during the Abbott Distribution Center tour last November and ICM Forum #1, that depending on what the data will show, there should be a threshold volume of product that could go by air from MSP to Liege and onto global customer-driven destinations. With the right data, having this non-stop lift would at least result in dramatic change.

General discussion:

Kristin Gold reported that Greater MSP will be able to report on the progress of the two supply chain studies they are conducting at this time, by the May 18th, ICM Forum #3. This should relate to the main question we are all working on the data answers to, at the next ICM Forum.

Mr. Goins suggested that this group could come to a better understanding of the opportunity we have, and once we can do a study around the central question of how much international air freight is moving daily to/from Chicago by truck, we will be ready to act.

Lee Munnich - retired from the Humphrey School of the University of Minnesota, veteran of transportation research studies of this nature and a strategic thought leader/advisor of the GWC. Mr Munnich provided a formal summary and concluding remarks:

There are big gaps in our knowledge of all of this. The “optimization” work that will be done -- headed by MnDOT — and this should be helpful to this effort. The key is whether we are able to collaborate, to share what we individual organizations have and know. When you add network manufacturing to the traditional model, you get a different result and better data. MnDOT is working in consultation with a variety of manufacturers to start getting that better data.

Slides and wrap-up:

Mr. Goins reminded the attendees that we have a ICM Forum #3 on May 18.

Over the next few weeks, Mr. Goins has requested to receive input regarding the agenda for this next Forum that would be action oriented and leading to qualitative and/or quantitative data sources so that we can be moving to the answer of how much international air freight is moving to/from Chicago via truck on a nightly basis.

Key next step: Once we have an understanding on the quantity/weight and value of what is moving on an annual basis, we should be in a very good position for meaningful discussions/negotiations with an airport like Liege in Belgium for possibly beginning non-stop flights between MSP and LGG, whether this is 3 times a week or 5 times a week, or a specific frequency that supports our Minnesota economic development efforts.

Slides of the first three presenters are included with this summary and recap.

Please note: Our sincere thanks are to Curt Johnson, a member of the founding leadership team of the GWC, for his excellent note taking efforts during ICM Forum #2.

Bill Goins has requested that each individual please keep the feedback and support coming...if we can “peel back the layer of the onion” on this key question involving international air freight, with the great help of key resources/advisors from the public/private & academic sectors, we can utilize this great talent and model to move onto other key efficient supply chain options, that support regional economic development and operational optimization of expanding or newly locating companies in Minnesota and this region!