

**MINUTES OF THE
SENATE SELECT COMMITTEE ON ECONOMIC GROWTH AND EMPLOYMENT**

**Seventy-sixth Session
May 4, 2011**

The Senate Select Committee on Economic Growth and Employment was called to order by Chair Ruben J. Kihuen at 1:19 p.m. on Wednesday, May 4, 2011, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Ruben J. Kihuen, Chair
Senator Valerie Wiener
Senator Mark A. Manendo
Senator Don Gustavson
Senator Ben Kieckhefer

COMMITTEE MEMBERS ABSENT:

Senator John J. Lee, Vice Chair (excused)
Senator Greg Brower

GUEST LEGISLATORS PRESENT:

Assemblyman Kelvin D. Atkinson, Assembly District No. 17
Assemblywoman Marilyn Kirkpatrick, Assembly District No. 1

STAFF MEMBERS PRESENT:

Kelly Gregory, Policy Analyst
Bryan Fernley-Gonzalez, Counsel
Leslie Sexton, Committee Secretary

OTHERS PRESENT:

Lindsay Anderson, Director, Business Development and Research, Division of
Economic Development, Commission on Economic Development
Ray Bacon, Nevada Manufacturers Association
Patrick T. Sanderson, Laborers International Union Local 872

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Paul McKenzie, Executive Secretary-Treasurer, Building and Construction Trades
Council of Northern Nevada
Russell Rowe, Nevada Development Authority
George Ross, Las Vegas Chamber of Commerce
Susan Fisher, Clean Energy Rail Center
Yvonne L. Murphy, Ph.D., Tahoe Reno Industrial Center
Jack Mallory, Director of Government Affairs, International Union of Painters
and Allied Trades, District Council 15
P. Michael Murphy, Clark County
Gary Milliken, Association of General Contractors, Las Vegas Chapter
Mike Dayton, NAIOP
Aaron West, NAIOP

CHAIR KIHUEN:

We will open the hearing on Assembly Bill (A.B.) 182.

[ASSEMBLY BILL 182 \(2nd Reprint\)](#): Authorizes the creation of inland ports.
(BDR 22-177)

ASSEMBLYMAN KELVIN D. ATKINSON (Assembly District No. 17):

I have submitted written testimony ([Exhibit C](#)). Following passage of A.C.R. No. 30 of the 75th Session, I chaired the study for the Development and Promotion of Logistics and Distribution Centers and Issues Concerning Infrastructure and Transportation.

The bill allows, not mandates, that a county, multiple counties or cities can apply to the Commission on Economic Development for the right to develop an inland port authority.

ASSEMBLYWOMAN MARILYN KIRKPATRICK (Assembly District No. 1):

There are existing developments that can fit within this area. In northern Nevada, we have the Tahoe Reno Industrial Center (TRIC). It is a perfect location on a rail spur and on a major interstate highway, and it contains a manufacturing base. We met with representatives from this center to ensure that the municipal airport met the needs of their businesses. In Clark County, we have two areas identified as possible inland port areas. The site of the former Nevada State Prison in Jean, vacant for many years, is on a rail spur, on the highway and in close proximity to airports. There is a manufacturing plant in

that area engaged in exporting. It has been there since 1984. Two large industrial corridors in North Las Vegas could be included in an inland port.

The designation of inland port can be considered a brand because manufacturers look for it to provide essential transportation solutions. On most of our abatements, we require a certain amount of exporting because our State benefits from exporting.

In the Assembly, many businesses testified that it is more expensive to transport goods out of Nevada than to leave from a different port. An inland port designation will cut costs for manufacturers. Seaports such as Long Beach and San Francisco are overcrowded. Goods sit in storage at those ports for long periods of time.

SENATOR GUSTAVSON:

I am not yet convinced why we need an inland port to allow us to do something we already do. It seems like you want to build more airports near certain locations where we already have manufacturing and industrial areas. I do not understand why we need to create another governmental entity for this.

ASSEMBLYWOMAN KIRKPATRICK:

The term "inland port" signifies that essential services are readily available to manufacturers. Nevada works well in silos. By creating a master plan, we can direct businesses to areas that can expedite their processes. The federal government designates an area as an inland port.

There are 37 inland ports in Texas. They are able to move goods expeditiously through these centers. Instead of products arriving in Long Beach and sitting for long periods of time, they are quickly transported to an inland port. They are checked and travel on to their final destination. This avoids the delays that can be from 45 days to 180 days in the overcrowded ports. Inland ports in Nevada would let other states use transportation resources in Nevada. Inland ports will help us get products into and out of our State. Inland ports can be an economic driver for the trucking, rail and air transport industries.

SENATOR GUSTAVSON:

If product is coming to this Country by ship to a coastal port, it has to come to that port anyway. You have not answered the question of how the goods will get from the coastal port to the inland port.

ASSEMBLYWOMAN KIRKPATRICK:

Containers, full of sealed pallets, arrive by ship to a coastal port. The ship is unloaded and the pallets sit on the dock until workers there can check them in, using specific processes required by the federal government. This is where the delay occurs. If Nevada had inland ports designated by the federal government, those shipments bound for Nevada could be immediately loaded onto trucks, trains or airplanes and the check-in process would occur in Nevada.

SENATOR GUSTAVSON:

How does an inland port in Nevada get that product out of the coastal port quicker?

ASSEMBLYMAN ATKINSON:

The businesses here today can best address your questions.

SENATOR KIECKHEFER:

Does the federal government have a role in this? Where are tariffs collected? Who collects the tariffs?

ASSEMBLYWOMAN KIRKPATRICK:

The federal government must approve the overlay district. We would be taking the products in our hands and verifying that they meet the criteria, as well as shipping it out. In Clark County, it has taken five years, and we have not determined the role of the State or local government. This bill will expedite the process once we determine that criteria.

SENATOR KIECKHEFER:

Would products go through customs in Nevada rather than in the coastal port? You spoke of expediting the business process. Would the local participating entities yield all of their regulatory authority to the port authority? Would they no longer issue business licenses, do land use planning or other functions?

ASSEMBLYMAN ATKINSON:

Those entities are not going to be comfortable giving up those functions. An amendment addressed that issue as it relates to airports so they are not delegating their full authority to a port authority.

CHAIR KIHUEN:

Do you have any estimates of potential income to the State that would be generated by inland ports?

ASSEMBLYMAN ATKINSON:

We do not. We do know the federal agenda is to double our exports over the next five years. They are encouraging states to be more active in this area. We are trying to do our best to take a lead. Inland ports will ease our unemployment problem. This is a step in the right direction to diversifying our economy.

LINDSAY ANDERSON (Director, Business Development and Research, Division of Economic Development, Commission on Economic Development):

We support A.B. 182. Economic development is a brand and messaging campaign. We want to present Nevada as the staging opportunity of the West. We want to show the ease of doing business in Nevada through a port authority. This will enhance our opportunity be on a short list of desirable locations where product staging can take place in the United States. As a result of President Obama's recent export initiative to double the nation's exports over the next five years, we anticipate a large ramp-up over that time in getting American-made goods to foreign customers. Today, Governor Sandoval announced that a large retail operation, Urban Outfitters, Inc., plans an e-commerce facility in Stead. You may have also heard about Toys 'R Us, Inc., and GSI Commerce, Inc., which plan to relocate to TRIC.

We have a momentum going from the logistics sector. Increasing distribution facilities and the ease of doing business will help attract manufacturing companies that want to be close to distribution networks. You may remember the Denver model discussed in the Nevada 2.0 Summit. They experienced poor economic times in the 1980s. The two-pronged approach they used can work in Nevada. Their short-term solution was encouraging call centers. Nevada can take logistics as our short-term solution to filling jobs while we develop our technology-based economic development and the necessary infrastructure to facilitate it. We all agree that moving toward innovation and intellectual property is the ultimate goal for Nevada.

We do anticipate a small economic impact because we will need to acquire staff that is experienced with inland ports. We may have to shift resources from other targets to accommodate this need.

RAY BACON (Nevada Manufacturers Association):

The ports are getting bottlenecked with lines of shipments at customs. When goods arrive in sealed containers and the bonds are not broken, the federal law allows that shipment to move to another location for checking by federal customs personnel. The concept of inland ports moves that customs line to an inland location for faster processing. The customs advantage happens on outbound and inbound shipments. The bigger advantage to Nevada is, if we do the logistics correctly, we get to control what goes in and out of California.

The average manufacturing wage in Nevada is above the State average wage. The average logistics wage rate is not. Based upon where we are now, we have 140,000 unemployed people in Nevada. Many of those people are lacking skills. They could go to work in a logistics operation if we had logistics facilities in place. In the long term, some of our unemployment problems can be solved for the relatively unskilled while we are improving our educational systems and attracting employers with higher-skilled jobs.

The key mission of the inland ports is to ease the bottlenecks at the coastal ports.

CHAIR KIHUEN:

If inland ports are established in Nevada, do we have people who would be able to take on the necessary jobs? Would any of the unemployed need training to do so?

MR. BACON:

It depends on the job. If it is strictly a logistics operation, in most cases, it could be done by a hotel maid who has been displaced due to downsizing, for example. The tasks involved in the two jobs are substantially equivalent. Some of the logistics operations are becoming totally automated. The Wal-Mart warehouse at TRIC is a one-million square-foot building with a freezer. It operates with a high-skill level workforce. In the logistics sector, there is a full spectrum of skills. In the manufacturing sector, there will be skilled machinists and metal turners at higher wages. The electronics and software areas will be

filled with highly skilled jobs. We do not have enough of those kinds of workers in Nevada today.

Establishing inland ports is not a short-term solution. It will take time. We know our tourism sector has changed dramatically. The gaming people will tell you that a large percentage of the money tourists used to spend was in gaming. That is where our tax revenue used to come from. That spending has shifted to entertainment and restaurant spending. Our whole economy is going to shift, and it will take 20 years to do so. Establishing inland ports is a large step in the right direction.

SENATOR GUSTAVSON:

I thank Mr. Bacon for his explanation of how the inland port will work. It answered my previous questions. My next concern is that we import so many high-tech products because the cost to manufacture them is lower in other parts of the world than it is here. How can we change that to get the manufacturing jobs done here?

MR. BACON:

In some cases we can successfully compete with China. Every Apple product comes to Sparks from a West Coast port of entry. We may end up with high-tech distribution which may include packaging, customization or some other after-market operation that will be done close to the customer. Sierra Nevada Corporation does a lot of defense industry work. That kind of work will probably not go overseas.

In the 1970s and 1980s, I had to compete with the Japanese. The labor rates in Japan gave them a large advantage over us. Now, labor rates in Japan are at least as high, if not higher, than labor rates here. With the labor rates rising in China, we are getting closer to parity. They may never reach full parity because their population is so large. The lengthy delays at coastal ports will be a factor. We can be competitive in areas where there is a reasonable degree of automation and some level of technical work that takes place at the end. We will not become competitive in simple manual labor jobs until those jobs can be automated. Such jobs are high volume and low value.

SENATOR MANENDO:

Our Country continues to be dependent on imports. Our ports are so congested that we see a need to relieve the burden to move goods faster. Dry ports have

been in existence for decades. Why have cities and states not taken advantage of their ability to establish inland ports sooner?

MR. BACON:

I will attempt to answer that, but my answer will be inadequate. Nevada has been so focused on the tourism sector and making sure it worked well that we did not recognize the necessity of inland ports. We did not open our eyes to see what else we should be doing. This recession has forced us to take a look at ourselves. Our eyes have been opened to the opportunities that have been available and that we have neglected.

The first inland port bill was incredibly restrictive. It could have been done, but it required a difficult and lengthy process that was taking five and six years to complete federal approval. There were two efforts since then that loosened the restrictions. The latest effort, approximately seven to ten years ago, made these things more widely available. Inland ports are now possible. We can no longer rely on a single industry as in the past.

SENATOR MANENDO:

Inland ports can continue to be important to us for a long time. As we continue to be dependant on imports, the coastal ports will continue to be congested.

MR. BACON:

We already have TRIC in northern Nevada. We have Ivanpah in southern Nevada. The railroad is only about one mile from the corner of that 6,000 acre parcel of land. The airport needs about 600 acres of that parcel. If that were to be built from the ground up, we would have the potential of rail, air and highway access in the same location. It would only use six miles of Nevada highway. Truck traffic would be eliminated from the Las Vegas corridor. Building from the ground up, the renewable-energy component can be included to make a low-cost and efficient operation. By installing solar panels, the power generated would nearly equal the power consumed.

PATRICK T. SANDERSON (Laborers International Union Local 872):

We built the railroad trench in Reno because we knew the Port of Oakland was expanding. There is insufficient port space in California, Washington and New Jersey to accept the equipment and manufactured goods that come into the Country. We allowed all of our manufacturing to relocate overseas. Inland

ports give us an opportunity to add manufacturing jobs in Nevada. This is a well-thought-out bill.

Is the Inland Port Authority considered a public body? If not, it should be. Will it hire Nevada workers? If a foreign company is contracted to run it, they will bring in their people to work. Will this happen? I would ask that the language state the Port Authority is a public body so that Nevada workers are hired to build the facilities.

SENATOR WIENER:

Mr. Bacon, can these inland ports be used for distribution and logistical centers for intra-country purposes?

MR. BACON:

If they are done correctly, they will serve the customs functions for the import and export business and the cross-country traffic through Nevada to California.

PAUL MCKENZIE (Executive Secretary-Treasurer, Building and Construction Trades Council of Northern Nevada):

I signed in neutral on this bill because I have a question on the nature of the port authority. Will it be considered a public body or not? I spoke to Assemblyman Atkinson, the sponsor of the bill, and he stated that it is the intent of the bill to consider the port authority a public body. Given that it will be developed by a public body, much like a general improvement district, we are in support of the bill.

RUSSELL ROWE (Nevada Development Authority):

We are the designee for Foreign-Trade Zone (FTZ) 89 in Las Vegas, and we support this legislation. Senator Wiener was involved in that designation. The boundaries, based on federal rules that were created many years ago, are not contiguous. Intermodal facilities, rail and airports are not necessarily included under those rules. Consequently, the FTZ program has not been as successful in recruiting companies to Nevada as we would have liked. Assembly Bill 182 captures what needs to be done in Nevada to pull the resources together under one umbrella.

I am not sure we can revise the boundaries of the FTZ in a way that they will overlay an inland port. We have applied to the federal government for permission to make minor amendments to the FTZ boundaries in a more

simplified fashion than under current law. If that application is approved, we will be able to make necessary boundary changes. If it is beneficial to mirror the FTZ with the inland port, all the better. If not, at least we will have the inland port in place and we can benefit from that.

GEORGE ROSS (Las Vegas Chamber of Commerce):

We are in favor of this bill. It is an outstanding economic opportunity for Nevada. Mr. Bacon covered everything one would like to cover from a testifying point of view. I echo everything he said.

SUSAN FISHER (Clean Energy Rail Center)

We support this bill. We are based in Hazen, Nevada. This is a project that covers approximately 2,800 acres, with the potential to expand at least three times that amount. It straddles Lyon and Churchill Counties, with approximately 75 percent in Churchill County. The goal of this project, with the Congressional Delegation and the support of the trades, is to build a clean-energy manufacturing site in northern Nevada. We are working with Union Pacific Railroad to move their switching yard out of Sparks and to our facility where they will have more space for their operations to grow. Eventually, that operation will be one of the largest of its kind in North America. The City of Sparks is also in full support of that move.

We are actively recruiting manufacturing companies that do green manufacturing. This could include companies that convert municipal waste into new product or companies that harvest the waste heat to produce energy. There are active geothermal wells operated by Gradient Resources, Inc., formerly Vulcan Power Company.

We have plans to build a cargo airport, in phase two, which will be in five to ten years. We are in the process of securing funding for that now. We are in negotiations with a specific cargo company. The company appreciates the fact there are few residential developments in the area so they can fly in and out at any hour. There is a lot of cargo traffic at Reno-Tahoe International Airport as a result of TRIC. That airport has the highest cargo traffic in the nation during the winter months and is moving towards cargo capacity.

The training facility, built by the union building trades, is an important training resource. We have had discussions with union representatives about opening

that facility to new manufacturing operations that we are able to attract so we can train Nevada workers there.

YVONNE L. MURPHY, PH.D. (Tahoe Reno Industrial Center):

I have submitted written testimony in support of A.B. 182 ([Exhibit D](#)). We see this as another valuable tool to enhance growth and economic development and the ability of northern Nevada to participate in the State's financial healing. The inland port will be helpful to us and our resident businesses in northern Nevada. We are happy to work with this Committee to implement this bill.

JACK MALLORY (Director of Government Affairs, International Union of Painters and Allied Trades, District Council 15):

I am representing the Southern Nevada Building & Construction Trades Council. Based on comments made by the presenters of the bill, and the representation that it is their intent that the inland port authorities should be public bodies, we also support A.B. 182 in its current form. Obviously, there will be many construction jobs created in building these inland ports. We realize that logistics jobs will be necessary for true economic development. We will not truly realize our full capability and potential without an improved format for logistics.

Contrary to what Mr. Bacon said, there are a number of people in Nevada who can handle the higher-tech aspects of the logistics industry. Our brothers and sisters in the International Brotherhood of Teamsters have been doing these jobs for many decades.

P. MICHAEL MURPHY (Clark County):

We support this bill, especially the second reprint. Our concerns in the original version related to McCarran International Airport, a major player in the international market. The Clark County Department of Aviation wants to ensure that such a role continues. We appreciate the efforts of Assemblyman Atkinson, Assemblywoman Kirkpatrick and the Legislative Counsel Bureau for working with our representatives in satisfactorily addressing our concerns.

GARY MILLIKEN (Association of General Contractors, Las Vegas Chapter):

We support this bill. This is a perfect avenue to pursue in our goal of economic development and diversity. This is a goal that has been discussed in many previous legislative sessions.

MIKE DAYTON (NAIOP, Southern Nevada Chapter):

We support this bill. We worked on this legislation when the interim study was active. This bill is a complement to Assembly Concurrent Resolution (A.C.R.) 4. It will help us diversify the Nevada economy.

ASSEMBLY CONCURRENT RESOLUTION 4: Expresses support for economic development in Nevada in the sectors of logistics, supply chain management and renewable energy technology. (BDR R-174)

SENATOR WIENER:

If we pass this legislation, what would your forecast be when we would be up and running in one of the inland ports in each end of the State?

MR. DAYTON:

I cannot accurately answer that question. This would be a tool. As Mr. Bacon noted, we have the land at Ivanpah, and we have the need because of the conditions in Long Beach, Los Angeles and Oakland. I do not have a time line, but certainly this legislation will give the Commission on Economic Development and the development authorities another tool to attract businesses to Nevada. We can also enlist the assistance of our Congressional Delegation.

AARON WEST (NAIOP, Northern Nevada Chapter):

Forecasting is difficult. We can look to our recent successes in northern Nevada. There have been at least four major distribution facilities, encompassing over two million square feet, to announce either relocation to, or expansion in, the area. The idea behind the legislation is to consolidate the process under an inland port authority to avoid conflicts between cities and counties.

SENATOR WIENER:

If I interpret your remarks inappropriately, please correct me. We ask why have we not done this before. We come to the table in this Committee with an economic challenge that is prompting and inspiring us to think. We have had testifiers in past legislative sessions talk about economic diversification. I wonder if we were as motivated then as we are now. We had another driver then.

Gifts come in strange ways. Some may say our current economy is not a gift. If it is a wake-up call, it is a gift. A lot of pain got us here. We will do well if we can make something positive out of it that we were not inspired to do before. I

attended the January conference in southern Nevada. The message there was to think regionally. I have not heard this collaboration in the years I have served my community and the State. We all want to see Nevada workers going back to work, feeding their families, being able to smile again and growing the economy.

CHAIR KIHUEN:
Very well stated, Senator Wiener.

Seeing no one else wishing to speak on A.B. 182, this hearing is now closed.

Seeing no one who wishes to offer public comment, the meeting is adjourned at 2:32 p.m.

RESPECTFULLY SUBMITTED:

Leslie Sexton,
Committee Secretary

APPROVED BY:

Senator Ruben J. Kihuen, Chair

DATE: _____

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 182	C	Assemblyman Kelvin D. Atkinson	Nevada Trades-Inland Ports
A.B. 182	D	Yvonne L. Murphy	Written Testimony