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Logistics: Flexible Flow

By Rachel Duran

Expectations of economic growth in both the manufacturing sectors and non-manufacturing sectors will carry on throughout 2007, according to the nation's purchasing and supply chain executives.

The positive numbers printed in the “Spring 2007 Semiannual Economic Forecast,” conducted by the Business Survey Committee of the Institute for Supply Management, demonstrate companies are bursting at the seams. Corporations are most likely well under way or soon will be, with location analysis to site distribution centers and warehouse operations.

In the economic forecast, manufacturing operating rates were found to be at 82.9 percent of normal capacity; production capacity is expected to increase 4 percent this year; and capital expenditures are expected to increase 5.8 percent this year. In the non-manufacturing sector, the operating rate is at 84.4 percent of normal capacity; production activity is expected to increase 3.2 percent this year; and capital expenditures are expected to increase 5.6 percent this year.

Manufacturing and non-manufacturing industries are growing at slow but sustainable rates. And communities, regions, states and their partners are prepared to assist companies as they make crucial location decisions to support their growth.

These organizations are mindful of the fact that there are many factors that come into play when making a location analysis. For example, CoreNet's “Strategic Role of Place,” says that the supply chains for a variety of industry sectors depend on flexible strategies, as well as companies making the most of technologies, outsourcing and partnerships available to them, among other factors. What's more, by 2010, it is estimated that two-thirds of the world's largest companies will make siting decisions based on strategic global considerations.

In addition to corporations' internal business goals, they will also be looking at market access and penetration, cost reduction and knowledge acquisition.

A Dot On The Map

Depending on your needs, such as access to marketplaces or proximity to raw materials, a strategic location can exist anywhere in the world.

“San Bernardino County is one of the few places in the country that has a critical mass of physical assets to support the logistics and distribution industries,” says Brian McGowan, economic development agency administrator, San Bernardino County, Calif. “We are one of a few places that can claim to be a global gateway.”

The county is the largest contiguous county in the United States, based on area. It is larger than the states of Massachusetts, Connecticut, Rhode Island and Delaware combined.

“We are crisscrossed by runways and freeways,” McGowan says. In addition to proximity to the ports of Long Beach and Los Angeles, the county provides corporations access to three logistics airports: San Bernardino International Airport, the Southern California Logistics Airport and Ontario International Airport, which is the 12th largest cargo airport in North America.

The UPS West Coast hub located at the Ontario airport is one of two U.S. airports the company uses to connect daily with China. The airport has also received overflow flights and activities as a result of the expansion at Los Angeles International Airport.

The growth in logistics activities is creating a saturated market in Ontario, directing activities elsewhere in the county, to cities such as Victorville, Rialto and San Bernardino. Industrial real estate developers are rushing to put up facilities, such as Sares-Regis, which has planned 3.1 million square feet of facilities for a 140-acre site in Fontana, McGowan says.

Sterling Capital Investments has announced it will conduct the speculative construction of 6.43 million square feet of industrial facilities on 350 acres of land in the county. The company is expected to add 65 million square feet of industrial inventory in the next 10 years to 15 years in the Victorville area.

What's more, “Victorville is working with the Port of Long Beach to create an inland port,” McGowan says. “And BNSF is adding a third rail line through the Cajon Pass. The idea is because there is no place to store containers that come into the Long Beach port, you put them on a train and ship them further inland to a port where they will be unloaded and transferred to the rest of the country.”

The south Texas region is another area of the country that is working to alleviate transportation bottlenecks to move goods faster. Due to the increase in the number of industrial facilities constructed after NAFTA was implemented in 1994, the border region of Mission-McAllen, Texas, and Reynosa, Tamaulipas, has become one of the fastest-growing economic zones in North America.

Mission, McAllen and Hidalgo, and northern Mexico's fastest growing border city of Reynosa, will benefit from the construction of the much anticipated Anzalduas Bridge, an international crossing into northern Mexico. In April, McAllen city officials awarded a $28.5 million contract to build the U.S. portion of the bridge. Construction for the U.S. side of the bridge was scheduled to begin in May, with completion of both sides of the bridge scheduled for June 2009.

The new bridge will be located nearly three miles up the Rio Grande River from the over burdened Hidalgo-Reynosa crossing. It is expected to alleviate traffic congestion during peak hours at other international crossings along the Texas border.

The bridge is expected to spur economic expansion on both sides of the border. Mission has been experiencing a boom in commercial and residential developments for the past several years. It is home to Fortune 500 companies such as Panasonic, Tractor Supply Co. and Black & Decker.

“New projects are underway throughout the city, which is making Mission a very attractive choice as destination city for those looking to relocate,” says Pat Townsend Jr., president and CEO, Mission Economic Development Authority.

Farther north in Texas, Midlothian's 1,700-acre RailPort offers a logistics and warehousing alternative to the busy and congested Dallas metroplex. “We are located one hour ahead of anyone that will serve along the NAFTA corridor because we are located south of the metroplex, a few miles from Interstate 35,” says Frank Viso, executive director, Midlothian Economic Development Corp. In addition, the location offers thoroughfare access from State Highway 67 and U.S. Highway 287, and access to Interstates 45, 20, and State Highway 360.

The location also offers dual rail services, served by BNSF and Union Pacific. “There are many distribution centers, such as the new development by The Allen Group in south Dallas, which have rail services located on opposite sides of the park,” Viso says. “They do not necessarily offer dual rail services at the dock.”

The RailPort has complete infrastructure in place and is located in a tax increment finance location, as well as a tax reinvestment zone. “Companies investing at RailPort can be assured roads will be maintained as their tax dollars remain at the port under these financing programs,” Viso says. “We are planning to develop an overpass that will come into the RailPort to avoid the trucks having to cross the median when turning left.”

Beyond Traditional Thinking

Another region that offers an alternative to locating distribution and warehouse facilities in the Dallas market is Jackson, Miss. For two recent distribution projects to the area, for Belk's and Office Depot, company officials were looking at siting in more historical distribution and logistics cities such as Dallas or Memphis, Tenn., says Ross Tucker, director, MetroJackson Economic Development Alliance. “These companies were surprised that they were able to fill their workforce needs in a short amount of time.”

In addition to workforce advantages, Jackson offers a lower cost of doing business and living. “You can receive the same benefits of being located in a metro area and be able to be in major distribution cities within six hours such as Dallas or Atlanta; as well as within three hours to both Memphis and New Orleans,” Tucker says.

Tucker also notes that the Jackson region's economic development officials are working with real estate developers of logistics and warehouse facilities to develop spec buildings. “We have the space for them to build here, and the workforce to help fill any companies they have contact with,” he says. An added bonus is that developers can take advantage of the incentive offered by the federal GO Zones until the end of next year for the construction of new facilities.

Developers and corporations will find the Jackson region's transportation infrastructure features a crossroads location for Interstates 20 and 55; the Port of Vicksburg, which features a Foreign Trade Zone; air cargo services at Jackson-Evers International Airport, which also features a Foreign Trade Zone; and intermodal facilities for the Kansas City Southern and Canadian National rail companies. “These facilities are centrally located and run from Canada to Mexico,” Tucker says.

Outstanding rail services located outside of major Northeast metros can be found in Tobyhanna and Monroe County, Pa., which has the capability of delivering rail service from four national carriers, says Chuck Leonard, executive director, Pocono Mountains Economic Development Corp.

“We are the first community located on Route 80 across the Delaware Bridge from New Jersey,” Leonard says. “We are located 75 miles from New York City and 90 miles north of Philadelphia.”

Monroe County is located west of the Interstate 81 corridor, 25 miles from the county line. The corridor has seen unprecedented activity in the last 10 years in regard to logistics and distribution, Leonard says. He says that companies have discovered large lots are harder to find on the Interstate 81 corridor; therefore, they are branching out and looking outside this corridor. For example, Johnson & Johnson Sales & Logistics Co., LLC announced in the winter that it will site a 1.37-million-square-foot facility in the county, employing 700 people when fully operational.

Monroe County is also home to a presence for Roadway, which employs more than 1,000 people. FedEx also operates a freight facility in the county. What's more, Wal-Mart Stores runs a 1.24-million-square-foot distribution facility in the area.

Located near the middle of the nation, Chickasha, Okla., officials are touting the development of a 320-acre industrial park, to be located adjacent to the Chickasha Municipal Airport. The airport features a 5,100-foot runway that supports corporate air transportation. The airport also includes a newer terminal, two bulk hangars and a 12,000-square-foot aircraft maintenance facility.

In addition to air services, the Chickasha area's transportation and logistics advantages include its location 35 miles southwest of Oklahoma City and Will Rogers World Airport. Transportation needs are also served by seven major state and federal networks, including Interstate 44. Both Interstates 40 and 35 are located within a 30-minute drive of the community. There are also several crossroads for major highways in the area, including U.S. Highways 81, 62 and 277.

“In addition to our location, we have the labor availability to support distribution operations, as well as a good work ethic,” says Max McKnight, president, Chickasha Area Economic Development Council. “We are a rural location with many ag-based businesses in the area. People are used to hard work.”

Hard-working employees will be needed to support the increases that are projected in production and capital expenditures in both the manufacturing and non-manufacturing sectors. As companies expand their supply chains and logistics operations based on flexible, global strategies, they will find regions in the country that are poised to support their investments.