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Texas's logistics two-step

By William Hoffman

Dallas gets dueling hubs as Allen Group begins multimodal center to compete with Alliance

Is the Dallas-Fort Worth area really big enough for two major multimodal transportation centers? The inauguration of the 6,000-acre Dallas Logistics Hub east of the city places the North American logistics spotlight squarely on Texas and issues a challenge to the 12,000-acre Alliance Global Logistics Hub, 50 miles away in Tarrant County. The Allen Group, developer of the new hub, officially opened the site for development on April 13. On April 18, the group granted BNSF Railway the right to purchase land within its site to develop a new intermodal terminal. It expects the first two industrial buildings to be completed by year's end.

Long-term expansion of several Mexican seaports, planned widening of the Panama Canal, container shifting from West Coast to Gulf and East Coast ports and Texas's strategic position on the North American continent "puts Dallas dead center for worldwide trade," said Jon Cross, director of marketing at The Allen Group. "This is the hottest new logistics hub in the country."

That's not news to Hillwood, developer of the Alliance Global Logistics Hub. "We compete against projects across the United States for major distribution deals," said David Pelletier, director of communications at Hillwood. "We're used to that."

Dallas is one of three major U.S. metropolitan areas (the other two being Los Angeles and Atlanta) experiencing explosive growth as distribution and logistics hubs for shipping into the world's largest consuming market, said Richard Armstrong, chief executive of Armstrong & Associates.

"The population has shifted south, and (Dallas) is sitting right there in the middle of it," Armstrong said.

The North Texas area for decades was a center of banking, real estate and energy interests, though a series of economic shocks in the late 1980s and early 1990s — an oil price crash, real estate bust and the savings and loan debacle — forced government and business leaders into a reassessment of the region's industrial prospects.

Throughout the 1990s and early 2000s, federal and state governments invested hundreds of millions of dollars in upgrading and expanding the major highways in the region.

Cross said the Dallas Logistics Hub is poised to benefit from Union Pacific's \$100 million, 360-acre intermodal facility along Interstate 45 and a proposed 300-acre BNSF facility on nearby land owned by The Allen Group. "We focused on Dallas because the intermodal peaked our interest," Cross said.

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A \$30 million pledge of support by the city of Dallas and master plans being drawn up by nearby Lancaster Airport to support airfreight distribution, as well as proximity to Texas's proposed NAFTA Highway linking Mexico with Canada through the U.S., persuaded San Diego-based Allen Group to lay down its stakes south of Dallas three years ago.

But can the Metroplex — as the Dallas-Fort Worth area is known locally — support nearly 30 square miles of distribution and transportation-oriented development? “We are very confident that the Dallas Metroplex can,” Cross said.

Pelletier isn't so sure, at least when it comes to government infrastructure dollars. Alliance is pursuing a runway extension to better serve customers in Europe and Asia. FedEx Express uses Alliance Airport as a regional hub. Hillwood wants state and federal authorities to upgrade I-35W as it runs through Alliance, and to consider improvements to the I-35W/I-820 interchange north of Fort Worth.

Funds for those projects are finite, Pelletier said, and should go to projects with proven track records such as Alliance, which has attracted more than 140 mainly distribution-oriented companies and generates \$28 billion in the regional economy. “Dallas Logistics Hub doesn't even have a building on it right now,” Pelletier said.

Cross said the new hub will have space for as much as 60 million square feet of distribution, manufacturing, office and retail development. The Allen Group is building two industrial facilities that span 640,000 and 210,000 square feet. They are scheduled to be completed in 2007. The project could eventually create 32,000 jobs and support as many as 33,000 more, he said. Build-out could take up to 30 years, he said.

It could also produce a glut of industrial space, Armstrong said. Other markets won't be standing still as the Panama Canal widens and shippers seek ever-better routes into North American consumer markets. “This sounds awfully big to me, and I think there's a good possibility they're going to create overcapacity,” Armstrong said. “You can't expect expansion in the inland ports is going to be as good in the next 10 years as they've been in the last 10 years.”

“An event that might not affect your assets can still cause a significant disruption,” he said. “Because of interdependency, the global economy is much riskier than it was 20 years ago.”