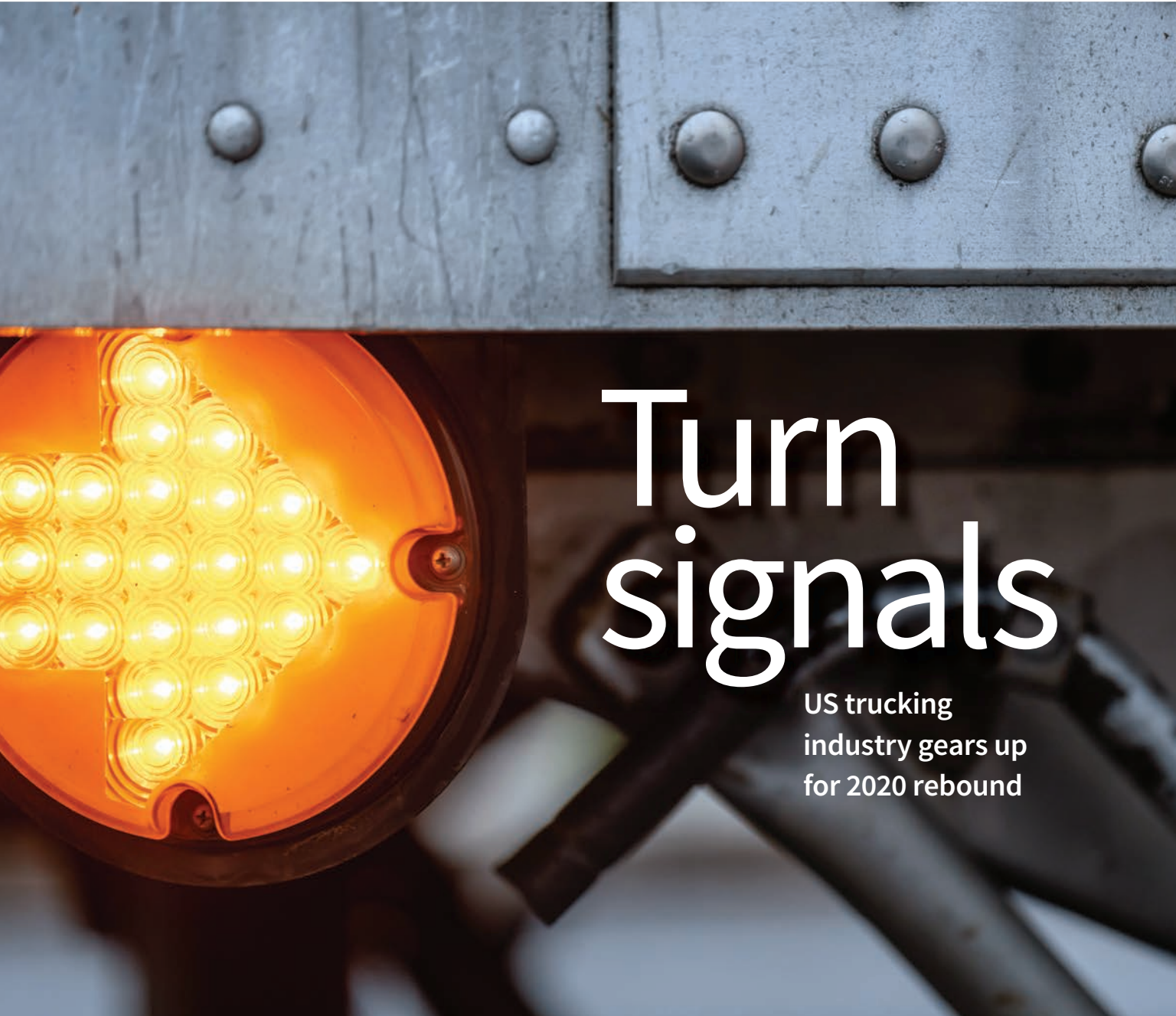


The Journal of Commerce



Turn signals

US trucking industry gears up for 2020 rebound

JOC Port Performance North America Conference: 10 – 11 December 2019 | Newark, NJ

TRENDSSETTERS

Retail, restaurant evolution to transform inland supply chains

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INSUFFICIENT SHIFT

US exports to SE Asia can't replace China loss

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HIGH-LEVEL GROWTH

Top logistics providers prosper in tumultuous 2018

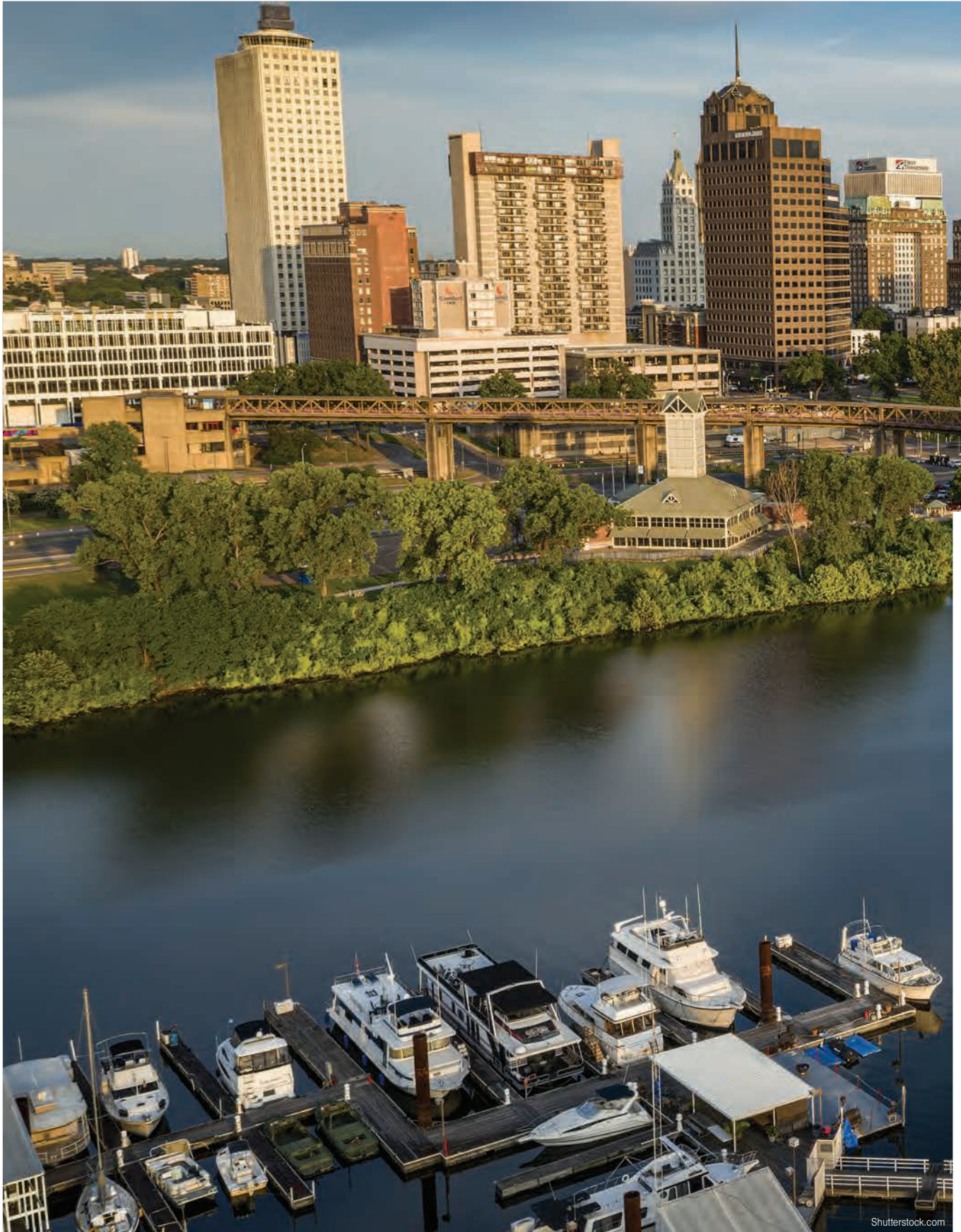
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A CAUTIONARY TALE

Roadrunner's truckload cuts send warning to shippers

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MEMPHIS TRADE



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MEMPHIS TRADE



MEMPHIS: A CASE STUDY IN RESILIENCY

By John Powers

FLOODING ALONG THE Mississippi River earlier this year disrupted Memphis freight flows, impeding barge traffic and creating rail delays as carriers were forced to reroute shipments around compromised trackage. Combined with tariff uncertainties, this knocked volume expectations for local freight businesses a bit off balance earlier this year. However, 2019 is closing with more stability and a return of consistent cargo flows. Growth for the 2020s is supported by extensive infrastructure improvements under way and national growing inland port interest.

Concerns about looming tariff changes drove significant volume increases that had local providers scrambling to meet the crush. “In quarters three and four of 2018 and even in the first quarter of 2019, people were rushing to get ahead of the anticipated tariff impositions. This created

an artificial peak that the local transportation infrastructure simply couldn’t handle,” said Joel Henry, president of Intermodal Cartage Co., a member of the IMC Companies family of brands. Unfortunately, logistics providers who ramped up staff and equipment levels in the expectation that the surge would continue have seen it subside. As a result, many find themselves holding surplus resources.

“The trade war between the US and China and resulting tariffs have had a great impact on agricultural exports out of Memphis and surrounding areas. There has been a significant decline in shipments of lumber, soybeans, and cotton. Manufacturing volumes have continued to decline, which has led to a decrease in overall domestic and export traffic and decreases in new job creation,” noted Patrick Spruiell, president of the Memphis World Trade Club (MWTC).

On the import front, however, there appears to be light at the end of the tunnel. Alternate sourcing is beginning to have a leveling effect on shipment levels from Asia. By identifying alternate manufacturing origins throughout the region, importers are bypassing cost spikes brought on by tariffs on China-origin goods. Vietnam, Bangladesh, and India are among the beneficiaries of the trend. “Importers are simply finding manufacturers outside China to fulfill their requirements. They’ll figure it out, and the cargo will come in. American consumers will continue to demand the goods and expect to pay a rational price for them,” Henry said.

The region’s logistics hub advantage is strong and marketed around its “Four Rs” access: runway, rail, road, and river. Memphis International Airport is the No. 1 air cargo airport in the Western Hemisphere, and four major interstate highways running

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north-south and east-west put the city within reach of over 65 percent of the US population within 48 hours. Five Class I railroads (UP, BNSF, CN, CSX, and NS) facilitate distribution of railed freight regardless of direction or destination/origin. While some rail shipments via Memphis are destined for consumers, other consignments make their way to distribution centers in other cities or directly to manufacturing plants. With the Mississippi River network leading the nation in barge traffic, Memphis is also home to America's fifth-largest inland port.

Freight numbers driven by this diverse infrastructure are impressive. "There are very few cities in the world that can be compared to what Memphis has to offer [in terms of air cargo and passenger hubs]. According to The Center for Transportation Analysis, in 2011 freight in Memphis totaled \$227 billion via truck, \$28 billion by multiple modalities, \$9.7 billion by air, \$1.1 billion by rail, and \$368 million

by water," Victoria McDaniel, Memphis-area logistics associate for client and talent solutions company Vaco, explained.

Supporting the city's physical transport infrastructure is a "well-established density of logistics vendors," Henry said. Local and state development entities offer diverse incentives including tax abatements, employee training, and job creation allowances. Finally, multiple sites contiguous to rail ramps and a diverse highway network facilitate further development of distribution and logistics operations.

"Our superior highway system is critical in attracting distribution operations to our region. Interstates 69/269 and 385 provide access to both existing distribution operations and multiple distribution center-ready sites. Unlike some other metropolitan locations, we still have lots of raw property available with ready access to our infrastructure," Henry said. Improvements to I-69/269 were

completed late last year, catalyzing a surge in distribution operations in that corridor. Additionally, development on the northeast side along Interstate 385 has begun to gain traction. Improvements along the Highway 78 artery have addressed previous congestion and vastly decreased transit times for both commercial and private vehicles.

Earlier this year, the I-269 corridor was opened, connecting Interstate 55 to Interstate 40 and creating a 60-mile half loop from Hernando, Mississippi to Millington, Tennessee. "The bypass will not only relieve traffic congestion on I-55 but brings a more efficient freight movement around Memphis," Spruiell noted.

The Lamar Corridor is a three-phase project consisting of Southern (State Line Road to south of Shelby Drive), Middle (south of Shelby Drive to Raines/Perkins Road), and Northern phases (Raines/Perkins Road to Getwell Drive). These projects are

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due to be completed by 2021. Construction on the I-240/Airways junction to improve traffic flows in and around the Memphis Aerotropolis is also planned for 2020, with completion scheduled for 2023.

Driven by considerations such as limited land and higher labor costs in coastal cities, terminal congestion at ocean ports, market proximity, and last-mile costs, port authorities and private interests are embracing the development of inland ports with unprecedented fervor. In the last few years, facilities have come on stream in places like Gainesville and Cordele, Georgia, and Dillon and Greer in South Carolina. While these may appear to have competitive implications for Memphis, local interests downplay any potential disadvantages. "These facilities really haven't had any appreciable impact on us. Their geography suggests that they'll have more effect on rail ramps in places like Huntsville, Nashville, and Atlanta," Henry said "Cargo moving through Memphis goes primarily to and from origins and destinations within a 200 to 225-mile radius. While there is some radius overlap with other inland ports, we don't predict any appreciable level of diversions."

From the perspective of the MWTC, a recent port partnership has made the city's competitive position even stronger now. "Over the past year, Memphis has worked with the Port of New Orleans in creating container-on-barge service for shipments to and out of New Orleans," Spruiell explained.

McDaniel reports logistics hiring in Memphis mirrors national trends and suggests that bodes well for future freight volumes. "2019 has been a year of growth for the industry. I have worked with several companies this year in cities across the US, and given that the labor market is so tight, the need for senior level logistics talent is great," she said. Candidates are receiving multiple local offers at unprecedented levels, she noted, and she is urging clients to move quickly on candidates once they have been identified.

For urgent shipments, samples, and employee and client travel, the Memphis airport occupies a key position in the freight handling portfolio. FedEx, the dominant player at the airport, has ambitious plans that will drive business growth for the next decade and beyond. "The Memphis FedEx Hub is growing, and with the announcement of the recent investment of an additional \$450 million into the modernization of the Hub, things will only move at lightning speed," McDaniel said. "In response to the boom

of e-commerce, within the next six years, in addition to outfitting the FedEx hub with new technology systems, FedEx will build a new sort facility and a new bulk truckload building. Their Memphis hub processes 47 percent of FedEx's daily package volume, and the expansion should be complete in 2025."

With its "Four Rs" in place, ambitious airport expansion plans, ongoing highway improvements and new barge partnership, Memphis is poised to solidify its self-proclaimed position as "America's Distribution Center." ■

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