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Region hopes to ride changes in logistics industry

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The business of moving things isn't all that sexy, but it's a big business. Indeed, it's the very reason St. Louis - Gateway to the West - exists. It's always been a center of moving things.

And as the St. Louis region tries to forge a new place for itself in a global economy, moving things will still be big business here. It's just not yet clear exactly how.

Big changes are afoot in the world of shipping, air freight, rail and truck hauling. Everything from rising fuel prices to Chinese piracy concerns to a widening of the Panama Canal in 2014 will change the way goods move around the world, experts say. And that has a conversation brewing about how St. Louis can keep its place as a key link in the world's supply chain.

"There are just so many different factors at work right now in terms of global logistics," said Steve Johnson, executive vice president for economic development at the St. Louis Regional Chamber and Growth Association. "We believe there is a serious play for St. Louis in this."

Over the course of the year, Johnson said, local business leaders and the RCGA will try to plot a course for St. Louis, to figure out how the region can profit from all these changes. What they find will mean a lot to our local economy.

At least 50,000 people work in the transportation and warehousing industries in the region, according to figures from the Commerce Department. Many thousands more work at factories and other facilities that are here at least in part because of St. Louis' road, rail and river connections. As retailers and consumer products companies focus on coordinating a global supply chain and up-to-the-minute stocking on store shelves, those jobs are often becoming higher-tech, and higher-paid.

Landing them, obviously, depends a lot on location. And that has always been a big plus for the St. Louis region, said Ray Mundy, director of the Center for Transportation Studies at the University of Missouri-St. Louis.

"It's a natural," he said. "The geography here is just tremendous."

Even setting aside its location, St. Louis holds some good cards. It has a dense network of railroad lines and interstate highways. It has two underused airports with runways long enough to handle big cargo jets. And it's the northernmost city on the Mississippi where the river doesn't freeze, making it a key point for shipping heavy commodities like coal and grain from the Midwest out to global ports.

This ability to connect different forms of transportation - to be multi-modal, as it's known in the industry - is a huge asset, said Johnson, if the region can figure out the best ways to do it.

"To me, the secret is to really understand the advantages of our multi-modal assets," he said. "That's far different than trying to compete to be another low-cost trucking center."

When it comes to costs, St. Louis is merely average. A new study by The Boyd Company, a New Jersey-based site selection firm that specializes in working with distribution centers, found St. Louis in the middle of the pack on a ranking of the 50 biggest logistics markets in the U.S. and Canada.

It's cheaper to operate here than coastal hubs in California and the Northeast, but a bit more expensive than Midwestern competitors like Columbus, Ohio, and Kansas City, and well above smaller markets in the Plains states like Omaha and Sioux Falls, SD.

To many companies Boyd works with, labor costs are a hurdle here.

Of 21 markets the firm studied in the middle of the country, only Chicago, Minneapolis and Grand Rapids, Mich., had higher labor costs than St. Louis. And like it or not, said one of the firm's principals, John Boyd, the city's reputation as a union town scares off some employers. Becoming a right-to-work state, as some in the Missouri Legislature are proposing, would be "a great thing" to do, Boyd said.

But, overall, costs here are manageable, he said. Affordable real estate and utilities help keep expenses in line. And St. Louis is an easy place to ship from, relatively close to lots of major markets.

The region has other assets, too, he said, like a skilled logistics workforce and programs at local universities to train new generations of workers. All in all, St. Louis is positioned well in a world where distribution, and even some manufacturing, is moving back to the

U.S.

"Projects that are out there and St. Louis is on the radar screen," Boyd said. "It's really one of a handful of premier distribution markets."

But to thrive in the future, St. Louis needs to find a global niche. That's where China comes in.

For nearly three years, local political and business leaders have been talking with Chinese officials about creating a Midwestern freight hub at Lambert-St. Louis International Airport. They hope to find out in the next month or two if a Chinese airline will begin flights.

The long-term goal, said Johnson, is more than a few cargo flights a week and some jobs unloading them. It's attracting Chinese companies to invest in St. Louis, and to employ St. Louisans, to make and ship goods around the world.

"Distribution is often a precursor to assembly and production," said Johnson. "That's how Japanese entered the U.S. market, through distribution first." Now they build Hondas in Alabama and Ohio.

No one's quite suggesting it's a quick jump from warehousing to auto plants. But a lot of good can come from being the place where people move things, Mundy said. Just look at this region's history. The trick, he said, is figuring out how to continue being that place as the world changes.

"We have good models. We certainly have a geographic advantage," he said. "But we need to have some political and business leadership, over five or ten years, that's going to change the place of St. Louis in this industry."