

Potential Amazon center may help fulfill FedEx hub's lofty potential after 20 years

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The proposed Amazon fulfillment site off of Old Greensboro Road in Kernersville

It's taken more than 20 years, but lofty projections of the FedEx cargo-sorting hub serving as a Triad economic engine finally may be taking off with the surfacing of a potential Amazon fulfillment center in Kernersville.

Kernersville town and planning officials are reviewing a permit request from an Atlanta commercial real-estate firm for what could be a \$150 million project near Old Greensboro Road in the Guilford County part of the community.

According to a project site map, the company would acquire a 94-acre site where it would have 952 full-time and full-time equivalent employees in a 1-million-square-foot facility.

The non-sort fulfillment center project is labeled as Triad/GSO1, the same type of symbol Amazon uses for its centers. The company isn't named in the site plan, but Amazon's logo appears on two pages that detail signage plans.

Amazon has not responded to requests to discuss its fulfillment center plans. However, the site map's parameters are very similar to the majority of Amazon's 102 fulfillment centers in the United States in terms of square footage and workforce.

The potential Amazon center would be near a 483,000-square-foot FedEx Ground facility that opened in 2011 and was expanded in 2013.

It also would be within 7 miles of the FedEx sorting hub at Piedmont Triad International Airport that opened in the fall of 2009.

The hub has been a classic example of hopeful economic thinking that if you build it, others will come to benefit from it.



The 1998 marketing pitch for the FedEx hub was a \$300 million, 1-million-square-foot project starting off with 225 full- and 525 part-time jobs, with the likelihood of up to 1,500 full- and part-time jobs at full operational production.

Company and Triad economic officials were not bashful in touting its direct and indirect economic potential.

That included claiming the hub's influence would spread to suburban and rural counties as suppliers and vendors opted to choose sites within an hour's drive to avoid paying the higher real-estate costs of being close to the airport hub.

John Melton, a regional FedEx sales director, said at a High Point Economic Development Corp. meeting in 2002 that the hub could lead to the creation of 14,500 jobs by vendors, suppliers and retail groups.

Melton boldly projected a \$7.5 billion regional economic impact from the hub by 2019.

Nowadays, FedEx will only confirm it has "hundreds of jobs" at the sorting hub.

Although Piedmont Triad Airport Authority says the airport generates more than 18,500 jobs in the region and \$1.3 billion in regional income, none of the major employers around the airport — such as Haeco Americas, Honda Aircraft Co., BB&T Corp — specifically set up shop because of access to the FedEx sorting hub.

“The presence of FedEx Express on the airport, as well as FedEx Ground in Kernersville, is an incredible asset when we are pursuing aerospace and other companies to locate on the airport or in the Triad region,” said Kevin Baker, the airport’s executive director.

“It provides those involved in economic-development efforts another important logistics differentiator for our region (and serves) as an additional tool when pursuing companies like Honda, HAECO, Cessna Aviation and others.”

Looking ahead

The FedEx hub’s economic impact is likely to change, perhaps significantly, if or when Amazon’s fulfillment center is added to the airport area mix.

The airport authority said that between 900 to 1,200 acres are being prepped for development following an investment of \$120 million for airfield infrastructure. That includes the “Bridge to Commerce” that would open access to additional acreage on the west side of the airport property.

Altogether, the authority says developing those acres into commercial real estate could generate another 16,000 jobs and \$1.6 billion in economic impact for the Triad.

Economists say some of that growth would be more realistic with the Amazon fulfillment center in place.

John H. Boyd, a national site-selection expert, said Amazon’s apparent decision was “all about market access and proximity to FedEx Ground hub in Kernersville and sorting hub at Piedmont Triad International Airport. Nothing else.”

Michael S. Clapp, who operates a local real-estate research firm, said that “if you didn’t already have the FedEx presence here, you wouldn’t be able to recruit Amazon without the infrastructure and road improvements that were made for FedEx.”

An Amazon fulfillment center would “continue to cement the Triad’s niche as an area known for aviation and distribution,” said Keith Debbage, a joint professor of geography and sustainable tourism and hospitality at UNC Greensboro.

Debbage cited beyond the two FedEx facilities the examples of the headquarters of Honda Aircraft and Haeco on the PTI campus, a key Rockwell Collins Inc. operational hub in Winston-Salem, and the Thomasville headquarters of Old Dominion Freight Line Inc.

“Not only would this (Amazon center) help the region develop a new economic identity, it would help the region attract sorely needed new jobs in the \$12 to \$15 range while also enhancing the local tax base,” Debbage said.

Debbage said the combination of Amazon and the FedEx hubs could make that portion of the Triad, and perhaps a larger geographic radius, “an epicenter for fast and efficient distribution that can, in turn, attract other companies that specialize in the rapid shipment of high-value, low-weight products.”

“What sort of companies could that include you might ask? How about pharmaceuticals, software firms, life science companies that specialize in just-in-time delivery of lower weight, more expensive products.

“It is these sorts of companies that can provide the Triad with a big bang for your buck because they pay above-average wages and are capable of generating a bigger multiplier effect in terms of additional rounds of spending that can ripple through the local economy,” Debbage said.

Corporate-recruitment project

FedEx can be considered as the most pivotal Triad corporate-recruitment project of the past 25 years in large part because it represented the state’s first major modern-day economic incentive package.

When FedEx committed in April 1998 to a mid-Atlantic hub at PTI, the company was made eligible for up to \$142.3 million in state incentives over 20 years — at that time the largest economic amount ever offered by the state. The airport authority signed a 25-year lease with FedEx in October 2002.

The average salary for FedEx sorting handlers was projected in 1998 at \$12 to \$13 an hour — the equivalent of \$18.50 to \$20 in current dollars.

Initially, the hub was to open in 2003.

However, 11 years of environmental, legal and economic delays, along with the Sept. 11 terror attacks’ effect on the airline industry, kept FedEx plans in neutral.

By the time an opening date of fall 2009 finally appeared certain in May 2009, the scale of the hub was reduced to a \$228 million capital investment and 425,000 square feet.

The entire FedEx project was expected to cost about \$500 million. That includes the \$130 million it cost to build a third runway, of which the Federal Aviation Administration paid 90 percent of that cost.

The hub became operational about the time the country hit the heart of the Great Recession, with interest in commercial real-estate investment drying up amid an increase in loan foreclosures.

Even though the economy turned around by 2012, the hub still played a more complementary role to projects around it than being the driving force.

‘Hub mission’

John H. Boyd, a national site-selection expert based in New Jersey, said he believes the FedEx hub specifically, and PTI in general, already have “fulfilled its hub mission in spades.”

Boyd based his opinion on FedEx’s confidence in the Triad as a logistics and advanced technology center spurring other similar development, such as Cessna, Haeco and Honda Aircraft.

“PTI hit the sweet spot by targeting the growing aerospace and logistics sectors when the region was giving up so many jobs in traditional manufacturing,” Boyd said.

He said Amazon “is re-writing the rules of the road within the hot logistics industry, largely fueled by the booming e-commerce sector and new demands set by last-mile delivery and our nation’s instant gratification economy.

“PTI planners, smart as they were, did not see this new wave of logistics growth, but no matter.

“It is here and well-positioned to capitalize on this new wave of logistics expansion and generate even more jobs for the Triad.”