

ASK THE EXPERT

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Covering the Ground on Transportation Issues

Don't let your project get detoured or end up on the wrong development track by ignoring the factors that make transportation a critical consideration in site selection decisions.

Q As we consider locations for a new facility, we are finding that transportation issues present a lot of uncertainty in terms of our logistics strategy. How do we manage this in order to get to the best location for our project?

The Expert Says: Transportation issues impact most every location decision. Transportation issues can be associated with infrastructure (availability and capacity) and with service (time and cost). And for every project, some consideration should be given to all modes of transportation—air (passenger and cargo), rail (transit and product movement), road (employee and product), and water. Other related issues such as mass transit availability, fuel tax policy, toll road presence, etc. may also be important to particular projects. In this column, we focus on road and rail transportation.

If your project is one in an office environment, you are likely most concerned with road and air travel. If your project is industrial (distribution or manufacturing), then road and rail may be the most critical elements of transportation. Many industrial clients are now favoring locations with good access to all modes.

There are a number of trends that should drive you to consider all modes of transportation, including quality of rail access, competition, and dynamic global supply chains, all of which will

impact your transportation costs.

In assessing rail service at your site, do not assume that because there is a rail line along side your property that it is rail served. You should receive direct confirmation of service, and any limitations to service, from the rail carrier. If the site can be served, do not assume that you can do your operational run around using the car-



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rier's tracks—restrictions on these activities are common, implying that your site plan needs to accommodate all rail movement on-site. This in turn may impact site size, layout, product and people flow, etc.

Rail competition can be difficult to find and manage. While truck and rail directly compete more often than they did in the past, most rail oriented operations find advantages in using rail services. You may consider multiple locations each with different carriers, but ultimately you will

likely wind up on a site that offers a single provider of rail service. First, see if the owner of the line shares trackage rights with other carriers enabling other carriers to bid for your business. Second, you may be served by a short line. Some short lines provide access to more than one of the major Class 1 rail carriers, so working through the short line may create a more competitive negotiating environment.

The feasibility to truck to serve in close markets and/or to provide access to another rail carrier may be viable. Similarly, using water movements to source supply and/or access to end users may provide a low cost (albeit slower) alternative. Water transportation resources to evaluate include access, ingress and egress, port capacity, crane capacity, container or break bulk focus, speed of entry and processing, and labor management relations.

Finally, the emergence and continued evolution of global supply chains calls for greater flexibility in logistics planning. It is likely that over time, your source mix for raw materials, and possibly your end market mix, will change, possibly on a continent basis. So while you may not need water commerce access now, that could change dramatically in five years. As a result, major multi-mode hub locations such as St. Louis, Memphis, New Orleans, Houston, and Mobile may be worthy of consideration for your project. ■