

Transportation Logistics and the Economic Developer **Mary Ann Moon, CEcD**

It is becoming increasingly more apparent that Economic Developers must possess an understanding of the transportation industry. In a struggling economy, it is incumbent upon the Economic Developer to find efficient and effective ways in which businesses can successfully operate. In addition, promoting a transportation and logistics infrastructure which utilizes cost-saving strategies is a critical component of recruitment and business retention and expansion.

In October, 2009 Site Selection Magazine reported corporate real estate executives rank **Transportation Infrastructure** as the most important factor in location



decision making. Highway Accessibility and Labor Costs have traded the top 2 positions in site considerations among industry leaders for the past 5 years. Recently, *Area Development* stated, "For most companies, owning or leasing manufacturing, warehousing transportation and retail facilities represents the largest fixed-cost element of their businesses." In June, 2012, Tim Feemster, Senior Vice President of Global Logistics

and supply Chain Consultancy, Grubb & Ellis Dallas, Dallas Texas quotes, "The cost of transportation is 50.3% of supply chain expense."

Gathering information is not difficult. Most businesses are anxious to make available any data which can lead to solutions and cost savings. Too often, we fail to consult with the "users" of transportation services and instead rely upon governmental agencies to determine need. Getting specific answers leads to providing beneficial services and opportunities. Though the needs of an existing company may differ from those of one considering a site, core considerations are similar; defining the most, reliable and cost effective ways in which to transport raw and finished products, then, providing them.

Understanding the transportation needs of businesses by determining the following, is the first step in developing a plan of action.

- What type of product (freight) must be transported
- Which modes of transportation does the company utilize; rail, water, road, air or *all* in various combinations
- Are current regulations prohibiting movement of raw or finished materials and/or goods
- Does an adequate network of transportation providers exist within the region
- Is service provided in a timely manner
- Are transportation costs considered reasonable by industry standards
- Does the company have an in-house logistics specialist or rely upon 3PL services (3PL-a firm providing logistic services for a company, i.e., freight forwarding, warehousing, cross docking, inventory control, packaging)
- What is the greatest supply chain gap within the existing system

After compiling this information, the Economic Developer should facilitate meetings between the business and transportation providers encouraging both to be flexible, transparent and open to innovative cost saving practices. In addition, developers must emphasize the need for cooperation. Transporters and businesses, regardless of size, are dependent upon one another to ensure growth and retention of their respective industry sector. Being aware of, and utilizing, services provided by 3rd Party Logistic (3PLs) companies and the research and assessment capabilities provided by the University of Southern Mississippi's Center for Logistics, Trade and Transportation, the Mississippi Economic Developer will be a more effective practitioner.



The transportation industry is facing a litany of challenges ranging from higher fuel costs, poor infrastructure, higher equipment costs, governmental regulations, shortage of drivers, lean inventories and increased insurance rates. These costs can be passed to the consumer. Unfortunately, the consumer is the manufacturer, service provider, retailer and small businessperson. Recognizing this and utilizing the suggested approach accompanied by a familiarization with the connectivity among all modes of transportation provides an understanding of the operational functions of each and how they compliment one another. All combine to establishing a comprehensive approach to assisting businesses struggling to reduce transportation costs. In addition, it enables one to develop a portfolio of services readily available to new, prospective industries. Engaging experts from ports, railroads, trucking firms and airports illustrates the developer's commitment to

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supporting these critical commerce sectors and may serve as a catalyst to the creation of developing cost saving opportunities for an existing Business Retention and Expansion program; all resulting in the mitigation of shipping costs increasing the profitability of companies. An added benefit is the opportunity to initiate dialogue among users (businesses) and suppliers (transportation providers).

The Economic Developer is not expected to be a 'transportation guru' but IS expected to facilitate and refer businesses to those who can be of assistance in developing optimization of transportation services. Understanding the important role of trade, transportation and logistics and how it relates to business expansion and retention and recruitment is a necessity which should take a place of prominence in the Economic Developer's plethora of knowledge.