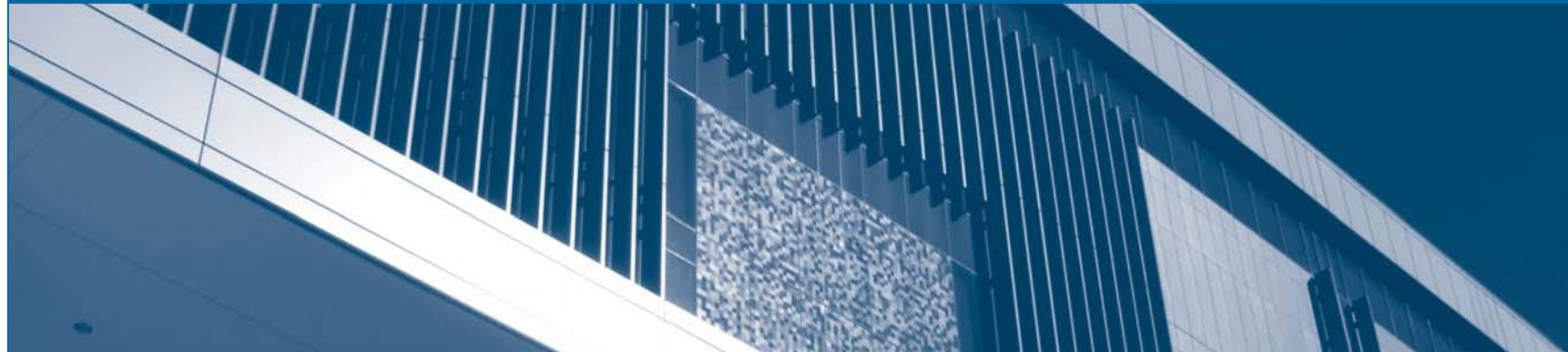


CHAPTER 4

Logistics Center at Tucson International Airport Environs; Pima County as the Logistics Hub of the Southwest



In 2012, the Joint Planning Advisory Committee consisting of the Pima Association of Governments (PAG), Central Arizona Association of Governments and Maricopa Association of Governments, executed a Freight Framework Study for the Sun Corridor. After analysis of sites throughout the State, the area south of Tucson International Airport (TIA) was identified as the ideal location for import distribution in Arizona. The components leading to this conclusion are the proximity to two interstate highways; Interstate 19 (I-19) connecting with Mexico and Interstate 10 (I-10), the only all-weather east-west transcontinental interstate; two rail lines – the main Union Pacific east-west Sunset Route and the Nogales line, the only Arizona rail line into Mexico; and TIA. Access will be further enhanced once the Sonoran Corridor connecting I-19 and I-10 is completed. Another major logistics component is the proximity to the Port of Tucson, which is the only intermodal facility in Arizona certified for direct delivery and origination of international containers. There are excellent training programs in place and an available labor force for new or expanding employers to immediately be productive. Finally, the flat terrain lends itself to inexpensive construction.

Integrated, all of these transportation system improvements make this location an ideal logistics center for southern Arizona and the United States. In no other location



The privately owned Port of Tucson was one of the first companies to see our region's logistics potential.

most important in Arizona, given the facility lies at the crossroads between Texas, California, Mexico and states north.

These existing assets, as well as expanding and designating surface transportation heavy haul freight routes to allow direct pickup and delivery of international containers from/to their destinations, create an opportunity for additional employment at middle income levels.

A. Distribution and Logistics Center Development

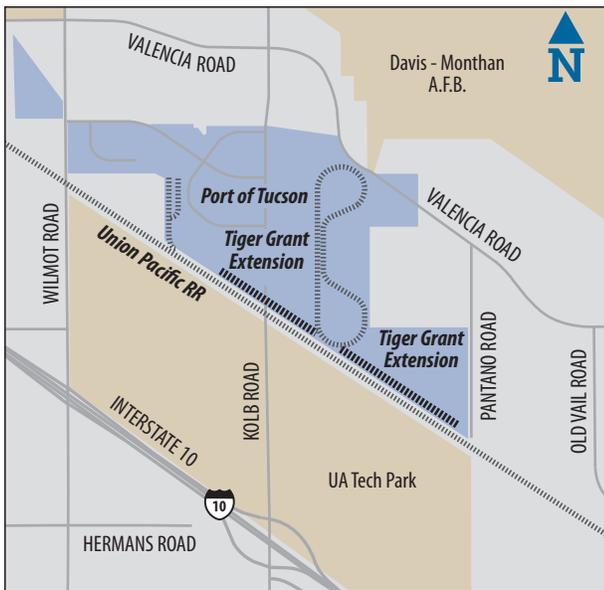
It is important to facilitate the development of distribution, logistics and other corporate

In no other location is there proximity of two interstate highways, an international airport, a transcontinental rail line, an inland port and the proposed auxiliary interstate highway.

is there proximity of two interstate highways, an international airport, the Intercontinental Union Pacific main rail line, the International Nogales rail line and surface transportation linkage and the proposed auxiliary interstate highway. These transportation components, along with available land, make this location an ideal site for primary logistics development; perhaps the

expansions in the vicinity of TIA and in the jobs corridor connecting Rita Road at I-10 to the Old Nogales Highway or I-19. This corridor has already seen development of a nearly one-million-square-foot Target Fulfillment Center at an approximate construction cost of \$75 million. By summer 2015, this Target Center will employ approximately 450 residents.

Recently, HomeGoods announced its intention to build an 800,000 square foot, \$79 million facility just north of TIA that will employ nearly 900 residents. This area is beginning to be recognized for its strategic advantage as a logistics center for the Southwest. It is likely others will follow, and the county should do everything possible to encourage the additional location of distribution warehousing and regional centers for established major retail outlets that can cost effectively provide product distribution and supply to the Southwest and to the west coast of the United States.



Port of Tucson

The County and the Port have cooperated on a federal transportation grant to improve rail ingress and egress allowing for easier and faster cargo transitions.

B. Port of Tucson

The Port of Tucson is a long-established, privately held rail/truck intermodal facility operated, built and constructed by a local family. The operation is now beginning to reach its potential as a significant inland port facilitating both rail and truck interchanges, as well as integrating product, storage and distribution. The Port of Tucson has a close working relationship with Union Pacific Railroad. It has sufficient land and infrastructure capacity to become a major

rail-to-rail or rail-to-truck point of interchange. This is exemplified by major tenants Biagi Bros and Zucarmex, who import significant quantities from Mexico.

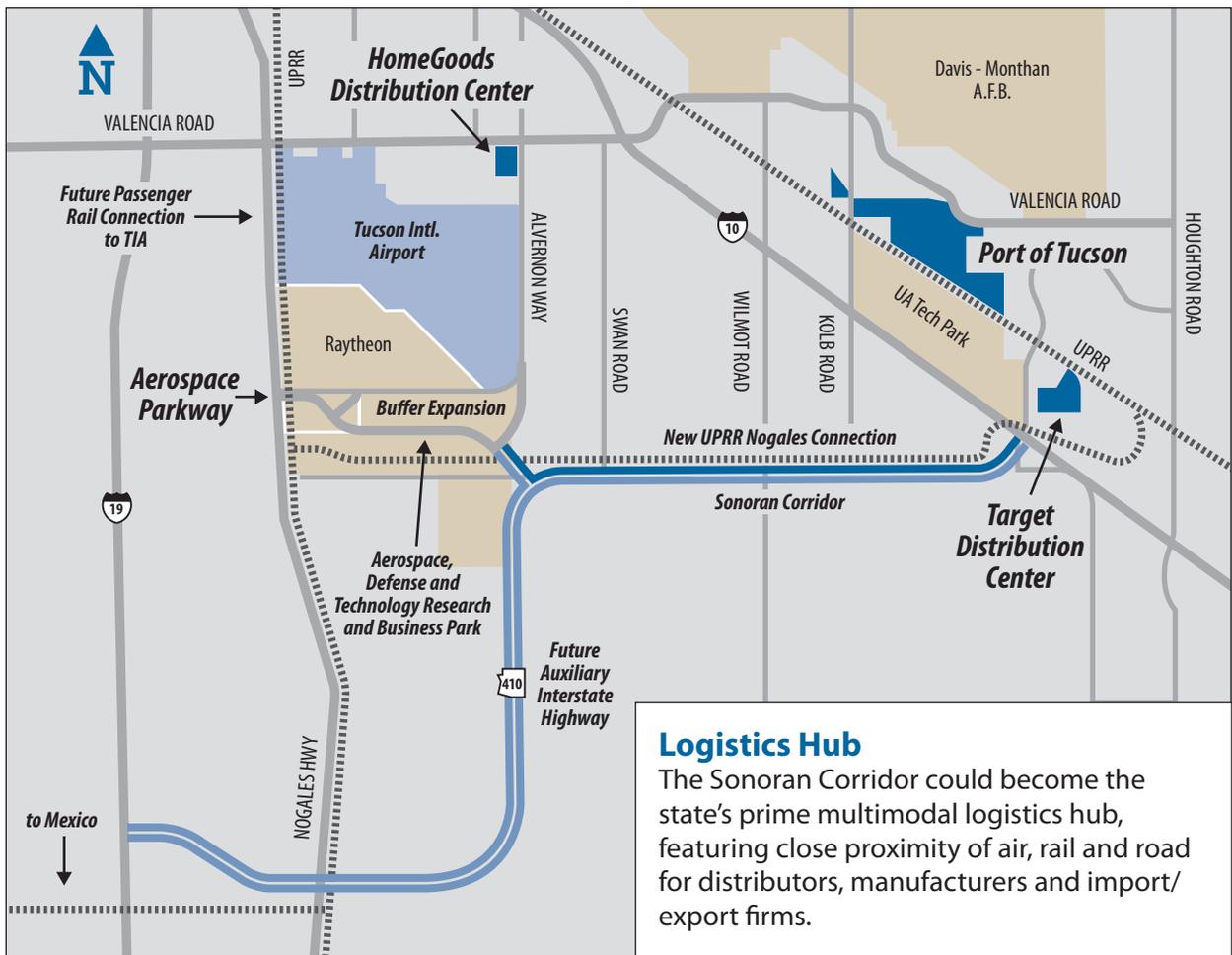
The county and the Port of Tucson recently cooperated to receive a TIGER Grant. This grant is now being implemented and will create a major offloading point from the intercontinental Union Pacific Railroad. This will allow the Port of Tucson to accept significantly larger train capacity at its facility, further emphasizing its importance in the national and international rail/freight distribution network.

C. Air Cargo Capacity at Tucson International Airport

TIA is the only airport serving a population center of one million people with a single primary runway. The Tucson Airport Authority (TAA) is now engaged in a process to develop a second parallel runway at TIA. This additional runway will improve safety and increase the landing capacity available at TIA, which is an important component of any potential air cargo expansion. It is important that in any logistics center, the primary modes of transportation – rail, air and surface – be integrated to provide the greatest flexibility in the movement of goods and products within the logistics center. Adding a second runway at TIA will greatly improve the competitiveness of this international airport relative to air cargo capacity, thereby becoming a key link in the air component of an integrated and successful logistics system.

D. High-speed Surface Transportation: Interstates 10 and 19 and the Connecting New Auxiliary Highway

The interstate system built in the United States beginning in the late 1950s was intended to improve defense of the nation. In fact, it is known as the Interstate Defense Highway Network. It has also integrated regional population centers throughout the country with safe, convenient and rapid surface transportation access. This interstate



system has been one of the primary driving forces of economic expansion of the United States.

Adequate surface transportation facilities cannot be over emphasized as being one of the key components for economic development and expansion. The TIA logistics area is flanked by these high-speed surface transportation facilities. What is missing is a connection between I-10 and I-19 along the southern boundary of TIA. This surface transportation facility, known as the Sonoran Corridor, is proposed in the economic development plans of the county. It is a new, high-speed interstate connection between Sahuarita at I-19 to Rita Road at I-10, which connects the UA Tech Park to the defense and aerospace manufacturing centers around TIA. This new, 16-mile interstate auxiliary highway is perhaps the highest priority transportation improvement in the region for economic development and expansion.

E. Mexico Trade Interface

International trade with Mexico may be the most important component of ensuring this area becomes a key logistics hub for the entire Southwestern United States. Mexico's importance in the global economy cannot be understated. They have the fastest growing middle class of consumers. They have successful Maquiladora operations in aerospace and automobile manufacturing, and the Mexican government is making substantial and significant infrastructure investments to interconnect with the United States border. Mexico is investing over \$1 billion to improve Highway 15, running north/south through the State of Sonora and connecting to the Mariposa Port of Entry (POE) in Nogales. Mexico already has a major beer distributor and sugar supplier operating through the Port of Tucson. Its further importance in our local economy will be substantially greater and will be one

of the primary reasons Tucson becomes the logistics hub for the Southwestern United States.

F. Interstate and International Freight and Trade Corridor

A major consideration in the real estate industry is “Location, Location, Location.” Tucson and the Sonoran Corridor are ideally located at the crossroads of major interstate and international freight and trade corridors. Location and reliability are critical for the movement of goods and materials. Location on the only all-weather transcontinental interstate (I-10) and the Union Pacific Sunset Line, which is also the only all-weather interstate rail line, means predictable and timely delivery of products. Location adjacent to the Union Pacific Nogales Line, the only rail line in Arizona that runs into Mexico from Arizona, makes the Sonoran Corridor region the ideal point for import distribution, as well as export consolidation. I-19 connects to the interstate network in Tucson and to Mexico’s Highway 15, the major north/south trade and passenger corridor leading from central Mexico to the major markets in the United States. The presence of the Port of Tucson with local Customs offices onsite makes Tucson a true, cost effective inland port for international imports and exports. Finally, the presence of an international airport is an important component for the wide range of products produced locally and those coming from the Maquiladora plants in Mexico going to markets throughout the world. The Sonoran Corridor area near TIA is the point of convergence of all of these logistical advantages of the region.

Pima County must be prepared to compete in the regional, national and international marketplace. The regional gross domestic product of Arizona and our seven neighboring states, including Sonora and Sinaloa, is \$5 trillion. According to The University of Arizona Eller School’s Arizona-Mexico Economic Indicators, Arizona alone exported \$21.1 billion in products in 2014, supporting over 93,000 jobs in the state.

\$8.6 billion of those exports in 2014 went to the rapidly growing economy in Mexico, a 22.2 percent year-over-year gain. Mexico is the third largest trading partner for the United States and the first for Arizona. According to the Mexican Consulate, Mexico trades more with the United States than Japan, France and Brazil combined. In the first three months of 2015, over \$7.3 billion of import/export goods passed through the Nogales border crossing; an average increase exceeding 6.17 percent. Nearly all of those goods had to traverse I-19 and I-10 to other parts of the United States, as well as to Canada. Produce crossing the border at Nogales is distributed throughout the country by truck and will soon be by rail. Electronics and other components built in the Maquiladora factories are shipped worldwide via air, truck and rail. Taking advantage of low-cost empty containers, a wide range of manufactured, scrap and agricultural products (alfalfa and grain) are shipped to Asia at a fraction of the normal cost. Major ore exports through the Port of Guaymas to international markets all transit the Nogales rail line from origins as far away as Montana and Wyoming. Products destined for the major markets in Asia, Texas, California, the Intermountain West, and millions of consumers on the East Coast all pass through this corridor before heading north, east or west. The Sonoran Corridor is the crossroads for these regional trade corridors.

Logistics is defined as having the right product at the right place, at the right time, at the right price. The Sonoran Corridor, TIA, the Port of Tucson, and a comprehensive regional logistics development plan are perfectly positioned to incorporate all of our region’s intermodal transportation advantages to maximize alternatives for virtually any range of product to reach its national and international destinations via the most reliable and inexpensive mode. Leveraging the advantages of the Sonoran Corridor location with the increasing interstate and international trade levels will provide excellent employment opportunities for the region.

Action Items

- 4.1** Continue planning, with PAG, RTA, TAA, Union Pacific and others, the development of a major logistics center for the Southwestern United States in the vicinity of TIA.
- 4.2** Cooperate with and assist the Port of Tucson in expanding their rail-to-rail and rail-to-truck intermodal operations as a true international inland port.
- 4.3** Support and advocate with the Federal Highway Administration and the Arizona Department of Transportation for the designation of heavy haul freight routes from Mexican Ports of Entry to the Port of Tucson.
- 4.4** Continue to advocate for and on behalf of the TAA for a second full-service parallel runway at TIA.
- 4.5** Continue to advocate for the development of expanded air cargo services at TIA.
- 4.6** Continue to improve surface transportation accessibility to warehousing and distribution centers associated with logistics in the TIA area, including a new auxiliary interstate highway connecting I-10 and I-19.
- 4.7** Support the expansion of the Truck Driver Training Program at Pima Community College for the foreseen increased work demand in ground transportation in connection with a new auxiliary interstate highway connecting I-10 and I-19.
- 4.8** Advocate for improved surface transportation connectivity to the Mariposa POE to improve international trade with Mexico.