

# CHICAGO: Portal to the World

*In a global economy, the Midwest's largest city reigns as the transportation hub and distribution capital of North America.*



No one has captured the spirit of Chicago better than Carl Sandburg did in his poem about the "City of the Big Shoulders," published in 1914. In painting his word picture of "Chicago," the poet calls the city a "Player with Railroads and the Nation's Freight Handler." That description, says Matt Letter, regional vice president – sales, ABF Freight System, Inc., "is even more true today than it was then."



Indeed, Chicago's shoulders have, if anything, grown ever broader when it comes to transportation and distribution. According to

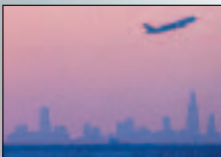
World Business Chicago, a public/private partnership chaired by Chicago's Mayor Richard M. Daley, the city lays claim to leadership in a slew of

different sectors in the U.S. These include not only its ranking as the No. 1 city for air travel, but also its No. 1 ranking as a distribution center, holding the top spot across the board in the truck, intermodal, rail and air categories.

The region's top-tier status comes as no surprise in view of its economic clout. With 8.37 million people, 4.15 million jobs and more than 200,000 businesses, the

Chicago market is a \$349 billion economy — larger than Switzerland's or Russia's.

Arkansas-based ABF, says Letter, had already been in business 20 years when it began servicing the Chicago market in 1956. Today, the area is the largest tonnage-producing region in the ABF system. It's also home to one of the LTL carrier's largest distribution centers, which loads directly, says Letter, to 40 percent of the system's terminals.



In 2002 O'Hare International and Midway airports handled more than 228,800 passengers per day, including more than 25,000 international travelers.

It's a far cry technologically from when Letter first began working for ABF. "When I started out as a dock foreman in the early 1970s, everything was managed, directed and controlled with paper and lead," he says. "A broken pencil sharpener could shut down an operation." Today,

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however, the Chicago distribution center is nearly paperless. Now, says Letter, hand-held micro-browsers help to reduce throughput rates dramatically, with a corresponding reduction in transit time provided to customers.

But one thing that has not changed is Chicago's importance as a transportation and distribution center. As Sandburg's poem attests, Chicago has long been a looming presence in America's supply chain. One reason for that is its strategic location. "It is an accident of geography, perhaps, that we are in the right place," says Rob Hoffman, director of business development for World Business Chicago.

As a diplomat in the British Foreign Service, Hoffman served in 17 different countries. For the last eight of his 25 years as a diplomat, he lived in Miami and Chicago. Hoffman liked the latter so much that, on retiring from the Foreign Service, he settled in the Windy City, a place he calls "America's best-kept secret."

A student of his adopted home and its history, Hoffman says Chicago had the advantage of a great location right from the beginning. French explorers recognized its strategic relevance as

early as the 1670s. The site soon became a key portage route linking the Mississippi Valley with the Great Lakes and the St. Lawrence River. The first permanent settlement came in the 1770s. Things simply got progressively better from there, first with the building of America's canal system, then with the advent of the railroads, highways and, after World War II, the emergence of aviation transportation. In the end, says Hoffman, it added up to "the most competitive transport and distribution market in America."

**T**he Chicago market has all the credentials needed to confirm its reputation as a global linchpin in North America's supply chain. Centrally located, the area is pivotally positioned between the east-west markets of Europe and Asia, and the north-south markets of NAFTA. Fifty percent of North American industry is within one day's truck delivery, and 75 percent of U.S. consumers are less than two days away. In terms of flight time, Chicago is within four hours of all North American business destinations, and less than 10 hours from major European centers. It's the

A view of Chicago's skyline from the south end of the Chicago River.



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**"We've been farsighted enough to welcome new developments in transportation and jump on board."**

nation's busiest rail hub, the only gateway where all six Class-one North American railroads can interchange traffic. Six Interstates serve the market, as do more than 200 truck terminals. It is linked to the Atlantic Ocean via Lake Michigan and the St. Lawrence Seaway, and to the Gulf of Mexico by the Mississippi River. Marine tonnage arrives from all over the world at The Port of Chicago's lakefront terminals, at Iroquois Landing and Lake Calumet. Located at the juncture of the Calumet River and Lake Michigan, Iroquois Landing, with 3,000 linear feet of ship and barge berthing space, specializes in intermodal container service. Lake Calumet operations and terminals, some six miles inland, at the point of the Grand Calumet and Little Calumet rivers, also provide 3,000 linear feet of ship and barge berthing space.

But it takes more than a good location and a little luck to emerge as a transportation and distribution colossus. A bit of foresight is also needed, and Hoffman says Chicago has been



Calumet Canal near Port of Chicago, only 12 miles from downtown.



fortunate in that regard. "We've been farsighted enough to welcome new developments in transportation and jump on board."

New developments in transportation solutions are what Meridian IQ, the non-asset based division of Yellow Corporation, is all about. The company uses web-native technology to provide customers a single source for transportation management solutions and global shipment management, and has a global field office near O'Hare International Airport. "Being there is a strategic decision for us," says

#### AT-A-GLANCE

##### THE NATION'S BUSIEST RAIL HUB:

75 percent of U.S. rail freight passes through Chicago's rail yards.

1,300 freight trains and 39,000 carloads of rail freight leave Chicago each day.

Chicago is the world's largest intermodal container handler after Hong Kong and Singapore. In 2001, Chicago handled 12,329,000 twenty-foot equivalent units, more than Los Angeles and Long Beach combined.

##### ALL ROADS LEAD TO CHICAGO:

3,138 miles of Interstate, local expressways and state highways serve the metro area.

52,000 truckloads of freight (1.76 million tons) are shipped from Chicago each day.



##### THE AIR CONNECTION:

In 2002 O'Hare International and Midway airports handled:

More than 228,800 passengers per day including more than 25,000 international travelers

More than 3,300 flights per day (take-offs or landings)

Nearly 1.52 million metric tons of freight.

##### SHIPPING LANES:

Metro Chicago has two ports capable of handling ocean-going ships and barges.

Each year 26.6 million tons are shipped — containers, grain, liquid bulk, dry bulk, and general commodities — equivalent to 72,800 tons per day.

##### WAREHOUSE/DISTRIBUTION CAPACITY:

432.4 million sq. ft. of warehouse/distribution space exists in the Chicago area.

45 percent of all available industrial real estate is devoted to warehouse/distribution.

102 million sq. ft. of warehouse/distribution space is currently under construction.

SOURCE: World Business Chicago

# CANADIAN PACIFIC

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**"It's a market of multi-cultures, and we see a lot of the world — Europe, Asia — all looking to do business in Chicago to reach the Midwest."**

Alex Miskov, senior vice president and COO-Global Services for Meridian IQ, which is based in Overland Park, Kansas. "Chicago is a hub that provides all of the modal requirements that our customers have. We can get at a lot of the U.S. from there." In fact, says Miskov, 25 percent of the business conducted globally by Meridian IQ is handled out of Chicago.

The fact that the Chicago area has a regional manufacturing output of \$59 billion — No. 1 in the nation — is one more advantage of doing business in the Windy City. "Because it is such an important industrial belt," says Miskov, "it serves a lot of different markets for us, from retail through high tech through consumer goods."

Globally right now, says Miskov, Meridian IQ

is looking to double its business, and Chicago is a global player of major importance. "It's a market of multi-cultures, and we see a lot of the world — Europe, Asia — all looking to do business in Chicago to reach the Midwest." At last count, World Business Chicago reported 1,500 foreign-owned businesses located in and around the city.

With world trade expected to grow two to three times faster than the world's gross domestic product, its global positioning will serve Chicago well in the future. The U.S. Department of Transportation reports that international freight volumes are growing faster than domestic volume and will almost double by 2020. In total, the DOT estimates that by 2020 the nation's transportation



From left to right: O'Hare International Airport control tower; landing at Midway International Airport; CSX 55th Street Intermodal Yard.



system will handle cargo valued at almost \$30 trillion, compared with the \$9 trillion handled in 2002. Further, volumes in tons are expected to increase by nearly 70 percent over current levels of 15 billion tons.

The upsurge in future volume will put added demands on the existing transportation infrastructure. In anticipation of the impact on busy O'Hare International Airport, the city has put forth a Modernization Program. It calls for the addition of one runway — the first such addition since 1971 — and the relocation of three of O'Hare's current seven runways. According to the city, the improvements, which would require the acquisition of 433 acres of land, would bring about a major reduction in

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delays and congestion. In addition, economic benefits would accrue to the city, including an increase in O'Hare-generated jobs from the current 365,000 to 560,000. Just 10 miles from downtown, Chicago Midway Airport has completed major segments of a modernization program, including the completion of a new terminal in 2001.

The importance of the Chicago connection now and in the future is not lost on Steve M. Hartmann, a principal in Mid-States Express, Inc. "Chicago is the mother lode, the fountain of all freight," says Hartmann, who grew up in a trucking family.

Headquartered in Aurora, Illinois, Mid-States Express is a regional LTL carrier serving 10

central states, with, says Hartmann, a special niche. "The niche in the market that we serve is service sensitive." Many of the regional carrier's customers, he adds, are large manufacturing companies.

In addition to its presence in Aurora, the Mid-States Express also has a facility in Plainfield, Illinois, plus a 150-door facility in nearby Peru, Illinois. Plans are in the works to add another 80-door Chicago-area facility in the near future, says Hartmann, with the possibility



From left to right: Aerial view of the CSX rail yard; aerial view of O'Hare International Airport; trailer yard near Midway International Airport.

that it could increase to 150 doors.

Chicago's strategic value is not lost on North America's railways. "Chicago is the hub of America's heartland and the railroad hub of North America," says Len Cocolicchio, senior manager, public affairs, for Canadian Pacific Railway. "Every major Class-one railroad on the continent feeds into Chicago, making it the world's biggest interchange point for railroad freight traffic."

CPR is one of just two transcontinental railroads in North America, with track that



stretches from Montreal and the U.S. Eastern Seaboard to Vancouver on the West Coast. CPR's track feeds directly into the Chicago hub from both coasts, making it one of the railway's most important business and freight centers.

Intermodal became CPR's biggest single revenue generator in 1999, and has held its leading position since then. Both domestic and import-export intermodal freight has grown. In 2002, intermodal freight accounted for more than 25 percent of all freight revenue. CPR's leading position at the ports of Montreal and Vancouver and its strategic corridors between these ports and Chicago, according to Cocolicchio, are behind its success in the import-export container market.

To support this growth, CPR has made substantial investments in intermodal facilities, including modernization work at CPR's Schiller Park and Bensenville intermodal facilities in Chicago.

According to World Business Chicago, transportation is forecasted to increase 15 percent per year for the next decade. A number of trends will fuel this growth. They include the need for the fulfillment industry to deliver product on time and at a reasonable cost, just-in-time production, pull-through logistics, and the introduction of wide-bodied aircraft for short, medium and long air freight hauls. As a major crossroads of the Northern Hemisphere, Chicago's transportation and distribution industries stand to benefit greatly from such growth. And the city's world-class status seems assured. Says World Business Chicago's Hoffman of his adopted hometown, "It's got everything you could want in a major global city." Including, he might have added, a great future. ■

*This special section was written by Edward J. Walsh and designed by www.BrownInkDesign.biz for ROP, Ltd. Produced by James O. Armstrong, president of James Armstrong & Associates, Inc. Jim@JamesArmstrongAssoc.com*

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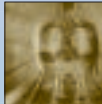
**THE RAILROAD BENEATH CHICAGO'S FEET**

When it comes to transportation and distribution, Chicago has always been an innovator. A prime but sometimes forgotten example of that fact was the creation of a **60-mile, two-foot gauge electric railroad that operated 40 feet below downtown Chicago** for half a century.

It began in 1899, when a tunnel was dug in the basement of a tavern located in Chicago's Loop. Originally intended for laying telephone cables, succeeding tunnels were dug 40 feet below downtown Chicago and surreptitiously used for the installation of two-foot gauge railroad tracks. Initially, this was done under the auspices of **The Illinois Tunnel Company**.

The tunnels, approximately six feet wide by seven-and-a-half feet high, included a subterranean route through underground Chicago. By 1906 small electric locomotives hauled pony freight cars through them, delivering coal, packages, mail and other goods to warehouses and businesses. In 1912, The Illinois Tunnel Company gave way to the **Chicago Tunnel Company**, and tunneling, as well as freight delivery, proceeded uninterrupted.

Over the next 24 years, this underground freight network grew to 60 miles of track. At its peak, **the underground system operated 149 locomotives and more than 3,000 freight cars**. But incursions by the new subway system, as well as competition from truckers, slowly squeezed the life out of the system. It was forced to go out of business in 1959.



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