



SPECIAL ECONOMIC DEVELOPMENT SUPPLEMENT

Illinois Is On The Move

Already a world-class transportation and distribution hub, this Midwestern powerhouse is ramping up for the future.

“If your company was going to have only one U.S. distribution center, why would you put it anywhere else but Illinois?” asks Matt Letter.

The fact is, of course, that you wouldn’t put it anywhere else. Letter, regional vice president, ABF Freight System, Inc., points out that China and other Pacific Rim manufacturers have reached that very conclusion. They are flooding the U.S. with a tide of goods that totals some \$400 billion annually, and a huge portion of those imports finds its way from the West Coast to Illinois for distribution east and south. As a result, says Letter, “what Illinois has lost in manufacturing jobs it is rapidly replacing with distribution jobs.”

Illinois is no newcomer to global trade. Exports amounted to more than \$33 billion in 2002, up \$1.2 billion from the previous year. That accounted for a 7 percent slice of the gross state product. Underpinning these impressive numbers, says Rob Hoffman, director of business development for World Business Chicago, is an even more impressive but often overlooked shipping and distribution business. It is valued, says Hoffman, at \$42 billion in the Chicago area, accounting for almost 11 percent of the gross metropolitan product. Statewide, the sector is a \$50 billion industry, accounting for a little more than 10 percent of the gross state product.

Today, the vast warehousing and distribution facilities so pivotal to Illinois’ success as an exporter are increasingly in play as imports loom ever larger. A recent inventory of the state’s distribution resources accounted for more than 3,000 public warehousing facilities, not to mention terminals, freight forwarders and transportation companies. In addition, Illinois has more than 2,000 miles of interstate highways, more than 896 airports — including O’Hare International, the world’s busiest — and more than 1,100 miles of navigable waterways that provide a link with the Atlantic Ocean and the Gulf of Mexico.

Impressive as it is, however, the shipping and distribution system needs retrofitting to handle present and future demands. Right now, says →

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Hoffman, intermodal freight is growing at between 8 and 9 percent annually, a rate that is expected to hold steady or even increase. Considering that 75 percent of the nation's rail freight passes through Chicago, where 3,500 truck trips per day are needed just to move freight between railways, future growth raises concerns about streamlining the rail system. Right now, for example, Chicago handles 1,200 trains and 37,500 rail wagons per day. It's estimated that by 2020 the Chicago rail hub will handle 70,000 rail wagons per day.

Anticipating such future demands on the freight system, Chicago Mayor Richard M. Daley last year announced a \$1.5 billion regional plan for railroad infrastructure improvements in the Chicago area, meant to shore up the Windy City's position as the world's third-largest intermodal container handler. The plan, officially known as the

Chicago Region Environment and Transportation Efficiency Program (CREATE), calls for the region's six major freight railroads to kick in more than \$210 million toward the improvements. Included among these improvements are the creation of five new rail corridors, elimination of the 25 worst checkpoint grade crossings at underpass and overpass sites, and increasing the average freight train speed through the Chicago hub from its current 9 mph to 15 mph.

The need for improvements hasn't been lost on the private sector, which has already set about investing in new facilities. Arkansas-based ABE, as an example, opened a new \$7 million facility next to O'Hare last fall. And right now, says Matt Letter, the LTL carrier, the third largest in the country, is finalizing plans for 2004 building projects in Illinois that have yet to be announced.



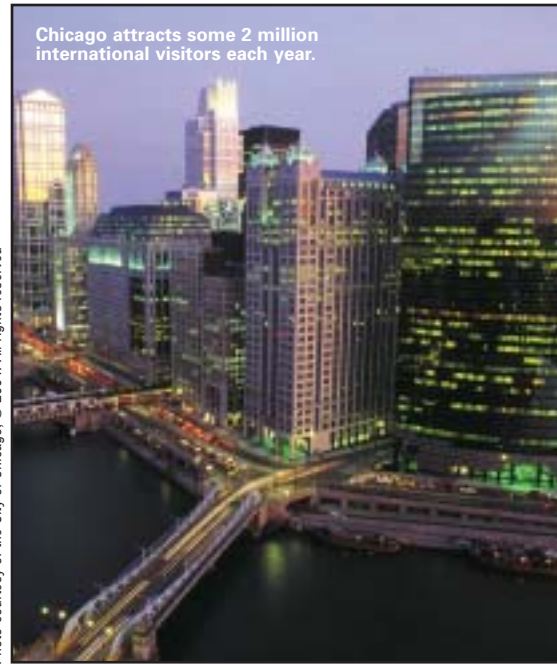
The state-of-the-art Burlington Northern and Sante Fe Railway's Logistics Park, a 621-acre multi-modal facility near Joliet, handles cars and containers.

Burlington Northern Santa Fe, © 2004

“It’s a key corridor in the development and evolution of the logistics and distribution industry in the Midwest,” says Bob Levin, executive director of the Rockford Area Council of 100.

In October, The Burlington Northern and Santa Fe Railway Company opened the BNSF Logistics Park-Chicago, a 621-acre multi-modal facility in the Joliet area that integrates direct rail, truck, intermodal and transload services with distribution and warehousing. It’s adjacent to the 2,200-acre CenterPoint Intermodal Center, a development of CenterPoint Properties, on which BNSF has options for 200 additional acres.

Also at CenterPoint, DSC Logistics, a leading supply chain management company with a nationwide network, is building a new world-class intermodal logistics center. Set for a July 2004 opening, the DSC building area encompasses more than 1 million square feet. The catalyst for the new logistics center was DSC’s signing of a multi-year contract with Unilever Best Foods (UBF), a major manufacturer of such well known food brands as Hellmann’s, Lipton and Ragu Sauces. The contract awards DSC UBF’s Midwest regional supply chain operations. The new logistics center is being built in support of the new partnership with UBF. “We are extremely enthusiastic about our



Chicago attracts some 2 million international visitors each year.

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All roads — and rails — lead to Illinois. Top: The nation’s total combined truck flows converge on the state, indicated in this map from the U.S. Department of Transportation, Federal Highway Administration. Bottom: Seventy-five percent of the nation’s rail freight passes through Chicago, as shown by total rail flows through Illinois, indicated in this map from the Department of Transportation, Federal Railroad Administration.



World Business Chicago, © 2004

new Joliet intermodal logistics center,” says Ann Drake, DSC Logistic’s CEO. “Our new state-of-the-art facility has access to intermodal and automotive sorting yards and is serviced by multiple railroad lines. In addition, benefits such as the Foreign Trade Zone (FTZ) offer DSC and our customers the ability to effectively adapt to change in their supply chains.”

Ninety miles west of Chicago, Union Pacific Railroad Corporation built a \$181 million facility in Rochelle. “The UP intermodal facilities in Chicago are beyond capacity,” explains spokesman Tom Zapler, “and this is the fastest-growing segment of the railroad business. We needed a facility to handle our growth in this area. Rochelle wanted us very much and we wanted to be there very much. It was an ideal match.” Global III, as the facility is known, has the capacity to handle 720,000 over-the-road trailers or ocean-going containers annually.

The increase in freight has made itself felt in the rail industry, which, for the first time in two decades, is adding workers. It’s also impacting outlying areas of Chicago, which are capitalizing on the opportunity to attract additional →

business. One such example is the I-39 Logistics Corridor, a 10,000-square-mile area that stretches from Janesville, Wisconsin, south to Bloomington, Illinois, and covers 13 counties. "It's a key corridor in the development and evolution of the logistics and distribution industry in the Midwest," says Bob Levin, executive director of the Rockford Area Council of 100. A nonprofit private client economic development consulting practice, the Council of 100 has been instrumental in marketing

"We feel we have a pretty good stronghold here to move forward and become a hub for logistics in the Midwest," says Kyle Ham, director of public policy for the Heartland Partnership,



ABF Freight System, Inc., © 2004

efforts to brand the I-39 Logistics Corridor, even helping to mount its first trade show last year.

Located halfway between Chicago and St. Louis, the Peoria region has high hopes for its excess capacity because of a bill that was signed into law last July creating a six-county port district in central Illinois. Known as the Heart of Illinois Port District, it encompasses some 60 miles of the Illinois River. Its objectives include enhancing the use of Illinois waterways



City of Chicago, © 2004

Top: Illinois is the largest tonnage-producing region for Arkansas-based ABF Freight System, Inc., the nation's third-largest LTL carrier.
Bottom: Illinois' airport system, with more than 896 airports — including O'Hare International, the world's busiest — is the second-largest in the U.S.



ILLINOIS FAST FACTS

- **Two of the nation's top rail freight gateways** are located in Illinois.
- **Chicago is the world's third-largest** intermodal port. Only Hong Kong and Singapore are larger.
- **Chicago's O'Hare** is the world's busiest airport.
- **Illinois' airport system** is the second-largest in the U.S.
- **The Illinois Department of Transportation's** FY 2004-2008 Proposed Highway Improvement Program totals \$7.413 billion.
- **Illinois ranks No. 1 in the Midwest** as a destination for foreign investment.
- **Illinois has attracted more** than 6,447 foreign establishments.
- **Canada and Mexico are Illinois' two largest trading partners**, importing 40% of the state's total exports.
- **1 in 8 Illinois jobs** are dependent on international trade.
- **More than 150 export managing/trading companies** and more than 100 international freight forwarders and custom house brokers maintain offices in Illinois.
- **More than 70 nations** maintain consulates in Illinois.

as well as the development of inland intermodal freight facilities. Things are off to a promising start, with the Port Group LLC, an Indiana-based company, having acquired 300 acres along the Illinois River near Mapleton. It plans to develop an industrial site and port, potentially creating hundreds of jobs. "We feel we have a pretty good stronghold here to move forward and become a hub for logistics in the Midwest," says Kyle Ham, director of public policy for the Heartland Partnership, the umbrella organization coordinating efforts on behalf of the Port District.

The state of Illinois also has taken steps to upgrade the transportation system through an infrastructure funding program. For 2004, \$1.7 billion was earmarked for highway and bridge improvements, \$98 million for airport projects, \$42 million for rail improvements, and \$533 million for public transportation projects. "We know

that for business and commerce to thrive in Illinois," says Matt Vanover, a spokesman for the Illinois Department of Transportation, "we have to be able to get products from A to B, customers and vendors from A to B, and we have to be able to provide people with the safest, most efficient network that we can for safety and economic reasons."

Given Illinois' great strengths as a transportation hub and its plans for the future, there's every reason to believe it will remain, as ABF's Matt Letter says, "the epicenter of distribution in the United States." ←

For more information about Inbound Logistics Special Economic Development series, contact Jim Armstrong, Director of Economic Development at 815-334-9945 or jim@inboundlogistics.com. This special section was written by Edward J. Walsh and designed by BrownInkDesign.biz.