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Tucson is an attractive hub for cost-wary shippers, new study says

By Gabriela Rico

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Tucson is one of the most affordable places to do business in what experts say is a growing and stable industry of receiving, warehousing and distributing overseas goods.

The industry will never be outsourced, and — hoping to avoid the congested and highly regulated ports in Southern California — companies are looking to link Mexican seaports to Arizona's rail and truck lines.

That would be a good move for Tucson, which has the third-lowest cost out of 30 Western cities surveyed for operating a distribution warehouse, according to a study released today.

Operating costs ranged from a high of \$24.6 million in Chicago to a low of \$13.7 million in Mohave Valley, Ariz. Tucson costs total less than \$16 million a year, said John H. Boyd, president of Princeton, N.J.-based The Boyd Co. Inc., which conducted the study.

He said the cost comparisons were based on a newly constructed 500,000-square-foot distribution center with 225 hourly employees and shipping to markets in the western United States and California.

"Despite a soft economy, we see distribution as having no end in sight," Boyd said. "The center of gravity will be shifting to the Southwest."

Aside from costs, Tucson has other appeals, Boyd said.

The congestion and regulations in California are turning off some companies, and they are seeking alternative routes into the United States for cargo from Asia and other markets.

Boyd said Mexico is wisely taking advantage of its geography to offer that alternative.

Last month, Mexican President Felipe Calderón opened bidding for construction of a huge new seaport in Baja California that could bring a rail line through Southern Arizona.

The planned railroad would link the \$5 billion Punta Colo-net to the United States, allowing freight to skip Southern California traffic and head directly to points across the Midwest, including Chicago.

Planners are looking at both Yuma and Nogales as potential sites where the tracks would cross the border.

The negotiations are timely, as trade remains a stabilizer in the current economic conditions, Boyd said.

A smaller Mexican seaport, the Port of Guaymas in southern Sonora is also looking to make warehouse and distribution connections in Tucson, which is also along the route of the Canamex corridor.

By the numbers

What it costs annually to operate a 500,000-square-foot distribution center employing 225 workers in Tucson:

Annual labor: \$7,579,081

Electricity: \$334,920

Natural gas: \$444,780

Amortization: \$3,151,434

Property and sales tax: \$1,482,914

Shipping: \$2,488,816

Heating and AC: \$482,816

TOTAL: \$15,964,761

Source: The Boyd Co. Inc.

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The corridor links Mexico City to Canada through the Old Pueblo.

There are 152 companies in the Tucson area that offer logistics services, according to Tucson Regional Economic Opportunities Inc., which is working on a plan to package and market the region.

Promoting Tucson's access to Interstates 19, 10 and 8, regional airports and east-west rail lines, TREO seeks to bring more logistics operators into the area.

"You fish where the fish are," Boyd said. "The logistics industry will be a major generator of jobs in the West for as far as we can see."

Follow Southern Arizona's growing logistics industry at www.AzStarBiz.com

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