

SOPHISTICATED SITE SELECTION IN IOWA

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When it comes to economic development, for some time now, Iowa has been one of the more aggressive states in the U.S.; and it has plenty to show an interested firm looking for a new



home. Iowa is home to over 4000 manufacturers and distributors, including Winnebago, Rockwell Collins, Alcoa, 3M, PepsiCo and General Mills. According to the Iowa Economic Development Authority (IEDA), the state has 10,000 miles of highways, including the important transcontinental I-80, 3,825 miles of railway, and 491 miles of

navigable waterways, including the commercial giants, the Mississippi and Missouri. In addition to its transportation assets and expansive acreage, Iowa has numerous other advantages for a firm looking for a plant or distribution center location, including excellent schools, a good labor pool, plus reasonable utilities and taxes. There are also other attractive tax incentives for qualifying firms. These supply chain assets are well known in the site selection community and have been important lures in attracting industry into the state. On the other hand, other states have assets and incentives, as well; and the campaigns for a new industry often can get quite competitive. What is missing however, are the answers to the most important questions a firm will have. What will the operating costs be for each alternative site? Obviously, an efficient transportation network will be critical to the firm, but how does it mesh with its distribution patterns and mode selection? The operating costs will continue long after the tax breaks and incentives have expired.

Under the leadership of the Iowa Department of Transportation, the state has found a solution for this critical site selection concern. Viewing the state as a total supply chain, rather than a collection of transportation assets, IDOT retained Quetica, a supply chain consulting firm, to develop a supply chain optimization design for the entire state. This was no small task, and required capture of transportation network elements and commodity flow data, including goods

moved, origins and destinations, tonnage, and modes utilized. The assignment has been completed; and according to Quetica, the model has helped Iowa to

- Identify infrastructure and economic constraints that affect businesses' freight transportation performance and identify improvement possibilities.
- Quantify investments that will help lower transportation costs.
- Recommend freight optimization strategies.
- Identify and improve business supply chain costs
- Development a framework that will support future analyses as market and other conditions change.

Iowa now can assist prospects in analyzing the true impact of an Iowa location, including location driven transportation costs.

One of the key recommendations of the study was to develop a logistics park in Cedar Rapids that will offer cross dock, intermodal, and warehouse services. Quetica found that 77% of the moves in and out of Iowa are within a 100 mile radius of Cedar Rapids. The study showed that cost savings for those using a Cedar Rapids cross dock would be about \$852 million annually. Shippers in Iowa could save about \$35 million by transferring freight from truck to rail at Cedar



Rapids.

IDOT estimates the cost of the park to be about \$46 million and has been awarded a \$26 million FASTLane grant to help defray the expense. (The FASTLane program, *Fixing America's Surface Transportation*, is a U. S. Department of Transportation initiative that funds critical freight and highway, as well as multi-modal

projects that address major issues of national or regional significance.) Cedar Rapids has long been known as an important Midwestern distribution center. Located in Linn County in eastern Iowa, because of its strategic location and supply chain assets it has become one of the leading manufacturing and distribution centers of the Midwest and arguably, of the country. Typically, firms seeking distribution locations in the Midwest have gravitated toward cities such as Chicago and Indianapolis. However, this has changed as businesses and economic development bodies in the Cedar Rapids area are recognizing the importance of logistics in today's economy and are

proactive in attempting to attract new firms to Cedar Rapids as a distribution point. The development of the network analysis model and the logistics park are major steps forward in this effort.

The Cedar Rapids Metropolitan Statistical Area (MSA) has a current population of approximately 265,000, and is located very close to the intersection of Interstates 380 and 80, approximately 220 miles east of Chicago. The highway structure in Iowa is excellent, and Cedar Rapids is well located on Interstate 380 which provides a border to border north-south route, and has close access to Interstate 80, the major east-west route across the United States. It is close enough to most major markets to provide excellent service, yet far enough away from big city congestion to facilitate efficient and timely traffic flow. Most major cities can be served by truck with no later than third morning delivery. Cities such as Chicago, Minneapolis, Omaha, and St. Louis can actually be



served in one day and allow drivers to return to their homes without violating Department of Transportation hours of service rules. For those firms shipping by rail, transit times from Cedar Rapids are very favorable when compared to other important logistics centers.

All major motor carriers serve

Cedar Rapids, providing a wide selection of routes and services. Rail service is provided by two of the country's largest railroads, Union Pacific and Canadian National, as well as the Iowa Interstate, Iowa Northern, and CRANDIC, that connect to other Class I carriers such as BNSF, CSX, Norfolk Southern, and Kansas City Southern.



The table on Page 4 shows the transit times from Cedar Rapids to selected major markets.

TRANSIT TIMES: CEDAR RAPIDS TO REPRESENTATIVE MARKETS

DESTINATION	HIGHWAY MILES	DAYS BY RAIL	DAYS BY TRUCK
Atlanta	816	4	2
Chicago	223	1	1
Cleveland	551	3	1
Denver	787	3	2
Detroit	482	3	1
Houston	1022	4	2
Kansas City	312	2	1
Los Angeles	1845	4	3
Milwaukee	242	2	1
Minneapolis	265	3	1
New Orleans	953	4	2
New York	1018	4	2
Omaha	251	2	1
St. Louis	291	2	1

Source: Cedar Rapids Metro Economic Alliance

Five airlines serve Cedar Rapids, providing 38 daily flights to such cities as Atlanta, Dallas, Chicago, Denver, Minneapolis, and Orlando.

Many firms have long recognized the strategic value of Cedar Rapids and have established significant manufacturing and distribution facilities in the area. These include such well known firms as Cargill, General Mills, Kraft Heinz, International Paper, Quaker Foods and Snacks (PepsiCo), TreeHouse Foods, Rockwell Collins, DuPont and Whirlpool.

In addition to the logistics advantages of a Cedar Rapids location there are other important factors that make it an attractive city in which to establish a manufacturing or distribution

facility. Its educational system, health care, housing availability, churches, culture, and general quality of life all combine to make it a uniquely desirable place to work and live.

Each year, the Cedar Rapids Metro Economic Alliance publishes an excellent demographic and economy report on the Cedar Rapids MSA, outlining the many advantages to locating in the area.

In today's dynamic supply chain, by an increasing number, firms are choosing not to invest capital and resources in privately owned and operated distribution centers and have turned to outsourcing as an effective, cost effective method of serving their customers. For 38 years, Worley has capitalized on the strategic logistics advantages of Iowa, particularly Cedar Rapids and operates distribution centers for such leading firms as General Mills, Post, TreeHouse, Kraft Heinz, DuPont and Whirlpool.

While well known for their consumer packaged goods expertise, Worley also serves a number of other industries including paper, appliances, and E Commerce. All warehouses are certified ISO9001-2008 and Organic by the USDA, and both air conditioned and cooler space are available for those requiring it.



Worley also designs and builds facilities for its clients, and has led the design and construction of over five

million square feet of distribution facilities.

On-site packaging has become a major activity for many firms, particularly those manufacturing grocery products, and Worley has a wealth of experience in customized display building, shrink wrapping, labeling, kitting, pick and pack, and product reconditioning. In order to facilitate the efficient storage and handling of thousands of SKU's in millions of square feet, Worley has developed a state of the art, proprietary warehouse management system which many of its clients have adopted in place of their own software.

In today's environment, a logistics service provider can hardly exist without an E Commerce capability. Worley makes it look easy with a broad range of capabilities for Business to Business (B2B) and Business to Consumer (B2C)

With the new state planning model, Worley will be even better positioned to assist prospective clients in determining future transportation costs and other advantages to locating in Cedar Rapids. Then when the logistics park becomes operational, Worley will arguably be the key logistics service provider in Iowa.