

# ***Logistics Center Development***



# Characteristics of Logistics Center Investment

- Large capital outlay
- Long payback period
- High risk, moderate returns
- Highly influenced by government actions
  - Trade flows
  - Transport network development
  - Land use entitlement
  - Incentives
  - Special status (Free Trade Zone, Customs Centralized Examination Station)

# Infrastructure for Logistics Center Development

## Hard Infrastructure

- Rail, road, inland waterway and air networks
- Ports (sea, river, air)
- Multimodal hubs
- Transport and material handling equipments

## Soft Infrastructure

- Information network
- Knowledge and skills, especially management capability
- Standards, specifications and conventions
- Government policies, logistics strategy, laws and regulations
- Institutional framework

# Favorable Climate for Logistics Center Investment

- Strong protection of property rights
- Free flow of capital and information
- Stable, consistent, business friendly government policy
- Unimpeded transport and trade
- Attractive, risk adjusted returns
  - Strong, growing demand
  - Limited supply
  - Ample opportunity to add value to supply chains
  - Upward pricing trend
  - Incentives
  - Attractive financing
  - Favorable cost structure

# Logistics Center Location Selection

- Well positioned to tap into large, stable and growing freight source. Ideal when all factors listed below are present.
  - At or near supply source
  - At or near large consumption market
  - At or near critical transport network node
- Limited supply of competitive centers
- High value added potential to targeted customers
- Special status designation (FTZ, FEZ)
- Reliable and cheap input, like power, labor, water .....

# Logistics Center Planning

- Comprehensive analysis of targeted markets
- Define logistics center functions
- Analyze competitive response
- Determine land, building, road, rail track and equipment needs
- Fully investigate entitlement process
- Calculate capital required and explore various funding alternatives (% equity, % debt)
- Forecast demand
- Forecast supply
- Forecast pricing
- Financial projections (pro-forma revenue, income, and cash flow)
- Develop smart land acquisition plan using options and proxies to avoid driving up land price

# Logistics Center Entitlement Process

- Identify all regulatory approvals needed for land acquisition, land improvement , transport network access, utility network access, infrastructure construction, operation and customer acquisition
- Identify all government, local community and NGO concerns and objectives
- Address concerns and find win-win solutions and means to create value for stakeholders
- Pinpoint critical obstacles
- Avoid heavy financial commitment until path to full entitlement is clear

# Logistics Center Design & Layout

## Factors to be address

- Mater plan
- Growth projection
- Industries served
- Functions
- Operations, cargo flow
- Transport modes served
- Transport network connection
- Utility connection
- Throughput
- Technology
- Safety
- Security
- Compliance
- Sustainability
- Visual appearance
- Reserve for future expansion



# Logistics Center Finance

- Identify funds needed at all stages of development
- Determine cost and availability of various categories of equity and debt
- Explore cheap source of financing like government guaranteed loans, government sponsored debt offerings
- Utilized supplier financing if available at reasonable cost (including stretching out payment to suppliers)
- Speed up collection from customers
- Obtain all forms of government incentives (land grants, tax abatement, training credits, special status zone ...)

# Logistics Center Marketing

- Thoroughly understand the targeted markets and promote the logistics center's value proposition
- Identify potential customers, categorize by profitability, revenue size and strategic values
- Create proper service offerings that delivers high value to targeted customers
- Craft marketing plan, including using channels to capture targeted customers (refrain from taking customers with no hope of reaping significant profit)
- Develop a carefully crafted pricing structure to maximize long term profit (remember a low price is difficult to raise later on)
- Develop a continuous profit improvement plan

# Logistics Center Management

- Create eco-system with virtuous cycle similar to Apple's (also used by German logistics center operators)
- Develop strategic alliance with key supply chain players (e.g. with railroads, ocean carriers, ports)
- Invest in information systems
- Develop effective performance metrics (including service quality, productivity, safety, sustainability measures)
- Focus on core competency areas, contract out non-core functions
- Embrace continuous improvement

**CenterPoint  
Integrated Logistics Park**

# CenterPoint Integrated Logistics Park



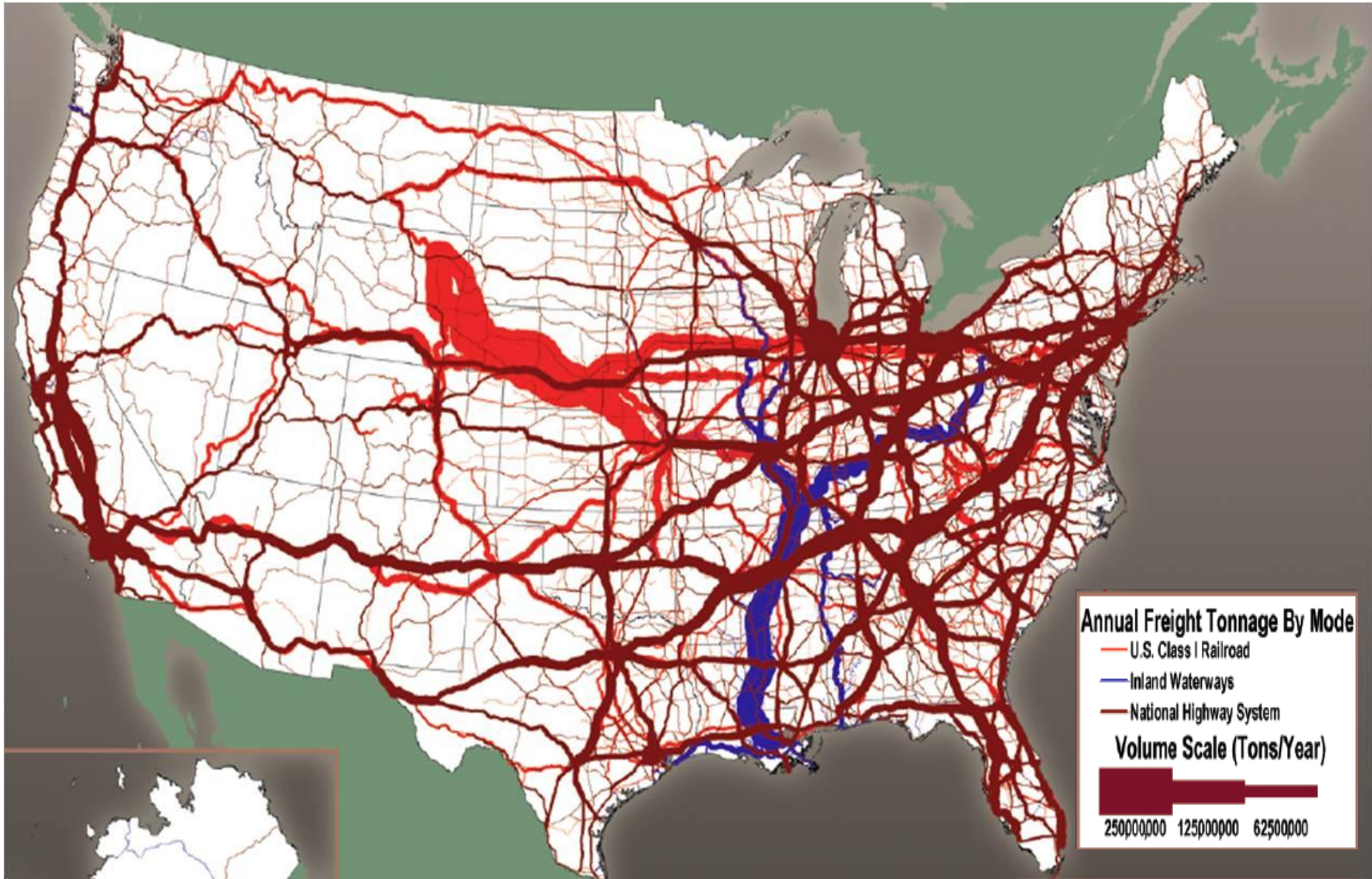
- Located 40 miles southwest of Chicago. Near two interstate highways, adjacent to BNSF & UP mainline
- Site of former US Army Joliet Arsenal released by Dept. of Defense after collapse of Soviet Union
- Surrounding communities suffered 15+% unemployment after closure of Joliet Arsenal

# Reasons for Showcasing CenterPoint Integrated Logistics Park

- Support low cost, energy efficient multimodal transport
- Relieves highway congestion, especially in urban area
- Alleviates Chicago rail interchange congestion
- Imaginative government action and **PPP** converted heavily polluted Joliet Arsenal brownfield site into:
  - Integrated logistics park
  - National cemetery
  - National park featuring native North American prairie
- Minimal government expenditure (\$35 million grant for water & sewer, \$125 million for access road infrastructure) attract over \$4 billion private investment
- CenterPoint monetized cash flow from Logistics Park & used proceeds to fund other developments
- Demonstrates impressive results can be achieved when stakeholders work together



# Key U.S. Freight Routes by Mode

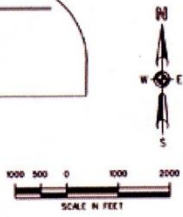
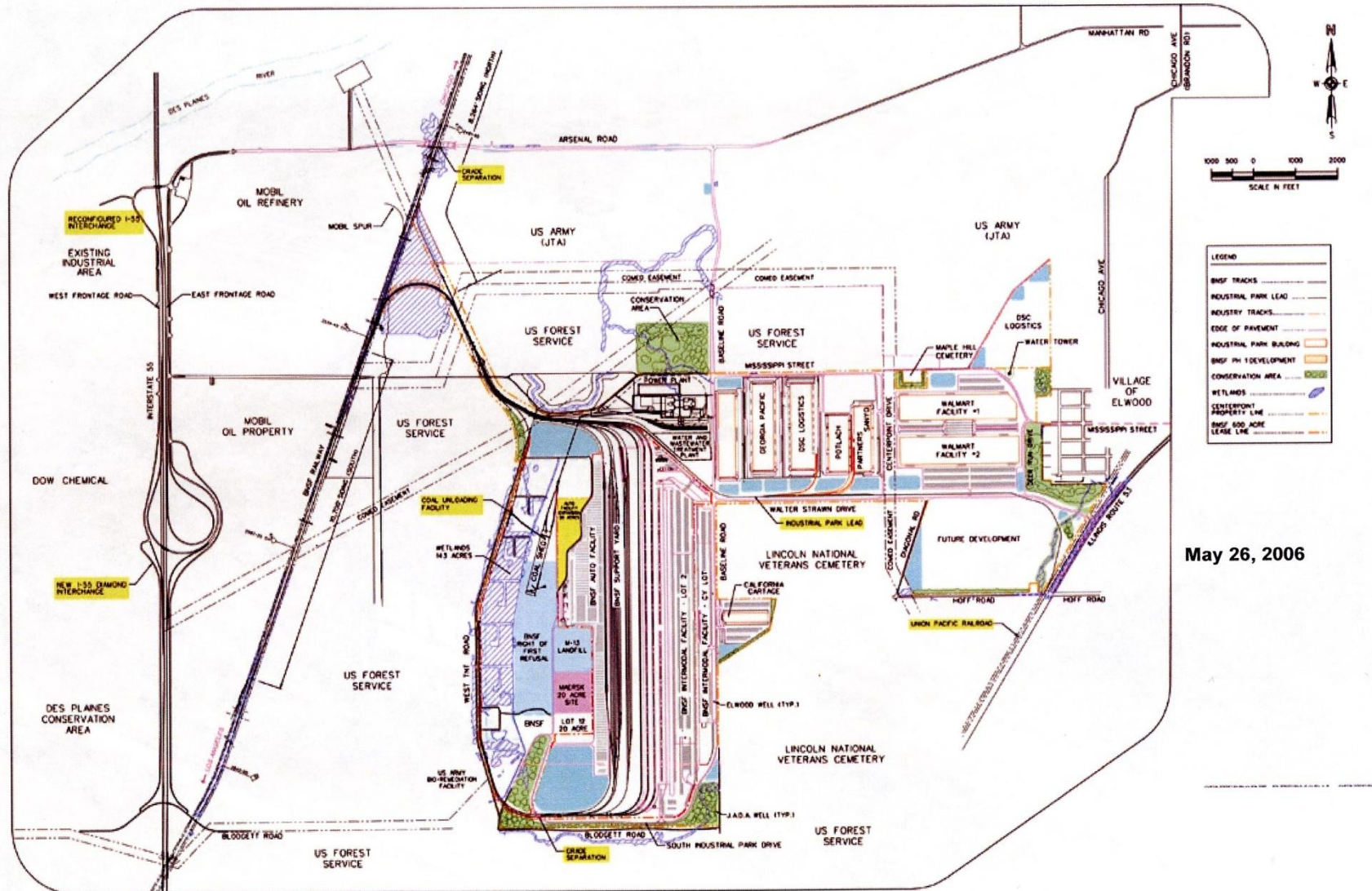


# Background Information

- Trend towards rail for long distance linehaul and truck for short distance distribution
- Rail traffic increasingly concentrated on fast, efficient, high throughput corridors
- Rapid multimodal traffic growth propelled by container traffic (both international & domestic)
- Mega multimodal terminals replace small local multimodal terminals
- Chicago - the US rail interchange center, is plagued by heavy congestion (rail & highway)
- Decades old multimodal terminals in urban areas are inefficient & suffered from traffic congestion
- Logistics centers moving to cheaper, less congested suburban locations adjacent to rail & highway network



# CenterPoint Integrated Logistics Park Design



**LEGEND**

- BNSF TRACKS
- INDUSTRIAL PARK LEAD
- INDUSTRY TRACKS
- EDGE OF PAVEMENT
- INDUSTRIAL PARK BUILDING
- BNSF PH 1 DEVELOPMENT
- CONSERVATION AREA
- WETLANDS
- CENTERPOINT PROPERTY LINE
- BNSF 600 ACRE LEASE LINE

May 26, 2006



# CenterPoint Integrated Logistics Park





# 8000 ft Tracks for Long Double Stack Trains



# Cal Cartage Distribution Center Across from BNSF Multimodal Terminal

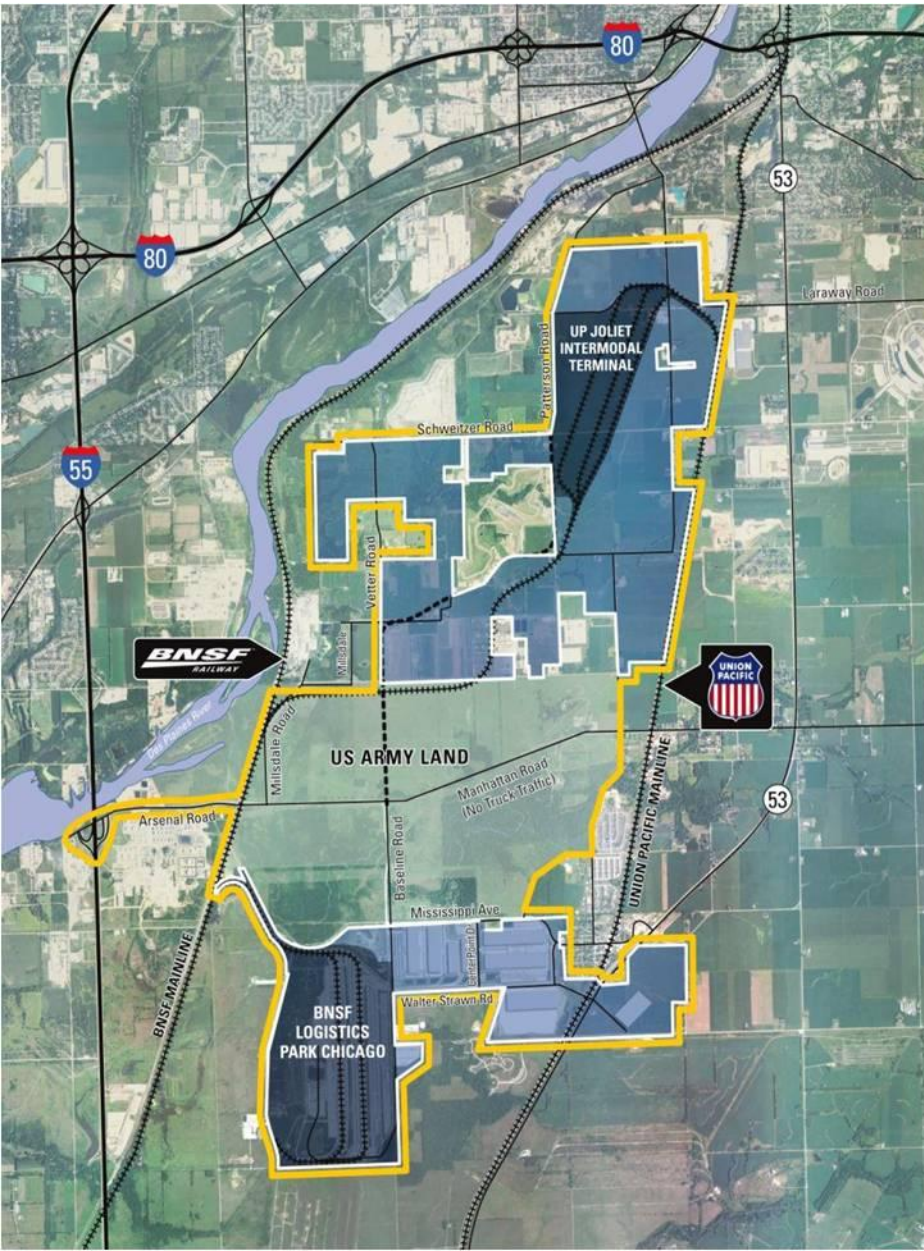


# Key Statistics

- \$1 billion+ investment by CenterPoint
- 2500 acres integrated logistics center
  - 340 thousand sq meter Wal-Mart warehouse
  - Other users include DSC Logistics, Maersk, Sanyo, Georgia Pacific, Potlatch, Cypress, Bissell
- \$500 million, 312 hectares BNSF intermodal/automotive facility
  - Construction started 2000, completed 2002
  - State of the Art design, six 2.4km tracks
  - Modern intermodal hub management - automated gate, Oasis management system, GPS guided cranes
  - 1.5 million TEU handled in 2008, rank just behind Seattle & Charleston
- 567 hectares industrial park
- 40 hectares equipment management area
- Increase property tax revenue by \$27 million/year and generate thousands of jobs



# CenterPoint's Success Lured UP to Mega Logistics Hub



- \$3 billion, 2400+ hectares CenterPoint investment
- 2-4 intermodal terminals on a single campus
- 3-6 million TEUs annual capacity
- 3 million SqM of industrial facilities
- 240+ hectares for container/trailer management
- BNSF/UP/CN/NS/CSX access
- Foreign Trade Zone
- Barge terminal / transloading / agriculture export hub

# Learning Points for Successful Logistics Center Development

- Imaginative public private partnership to develop win-win solutions that benefit diverse stakeholder groups
- Efficient capital market, multiple methods of financing
- Excellent connection to rail, highway and waterway networks
- Reliable, growing freight source
- Proximity to large consumer market
- Efficient operations (streamlined process, automation, high throughput equipment)
- Ride on mega trend (globalization, multimodal growth, low carbon economy)



# Thank You!

Andy Sze  
Fastraxx Group, LLC  
ADB Transport & Logistics Consultant  
fastraxxgroup@gmail.com  
+1(239) 596-7211