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# Logistics Ramps Up

Georgia's logistics industry is gearing up to ship more goods farther, faster and with greater efficiency

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The logistics industry continues to grow by leaps and bounds in Georgia. The state's central location in the Southeast, friendly business climate and incredible infrastructure . at the Ports of Brunswick and Savannah, on the roads and rails and at Hartsfield-Jackson Atlanta International Airport . all but ensure that this will be a hot growth sector for decades to come.

And with the Savannah Harbor currently being enlarged to expand its capacity for bigger ships coming through the Panama Canal, expect there to be more opportunities in the logistics industry on the horizon.

## Broader Vision

Georgia's port system, with the Port of Savannah . the fastest-growing container port in the U.S. . and the Port of Brunswick . the country's second-busiest for total import-export of automobiles . along with inland terminal operations at Port Bainbridge and Port Columbus, serves as the backbone of the state's logistics system. And that system is gearing up to extend its reach beyond Georgia's state lines.

After nearly 20 years of negotiations, the \$706-million Savannah Harbor Expansion Project got underway in 2015, with the state and the federal government splitting the bill. The outer Savannah Harbor will be dredged to 49 feet and the inner harbor to 47 feet at low tide. When it's completed, which is expected by the end of 2021, it will give Georgia yet another advantage over neighboring states.

"Bigger ships mean fewer ports, which means more traffic for us," says Griff Lynch, CEO of the Georgia Ports Authority (GPA). But that's only the beginning. Lynch recently unveiled the GPA's broader vision, which he calls the Mid-American Arc.

Through several projects at the ports and the construction of new inland ports, the Mid-American Arc will extend the Port of Savannah's reach not just across Georgia, but also across the Southeast and the Midwest. Places like Memphis, St. Louis and Chicago could be served via Georgia's ports.

"We are positioning to become a gateway port in conjunction with the Georgia Department of Transportation," says Jannine Miller, Center of Innovation for Logistics director.

The GPA has already started construction of an intermodal rail hub or inland port, called the Appalachian Regional Port, in Chatsworth near the Tennessee border. The project is a joint effort between Gov. Nathan Deal's office, the state of Georgia, Murray County, CSX and the GPA.

When completed in 2018, the inland port will create a direct 388-mile rail route across the state to the Port of Savannah. It will also provide a new, efficient option for markets in Alabama, Tennessee and Kentucky.

And there's more than meets the eye when it comes to these inland ports, which the GPA expects to establish more of in the coming years. Each container moved by rail through the inland port will offset 355 truck miles on Georgia's highways. That's important because rail is on average less expensive than trucks moving containers on the interstates and it reduces pollution and energy consumption.

The GPA is investing \$128 million into an International Multimodal Connector, which will link the Garden City Terminal's two Savannah rail yards to increase efficiency and double terminal rail lift capacity to 1 million containers a year. The project, which will create the largest on-port rail facility of its kind on the East Coast, will also reconfigure the terminal's two existing rail yards to allow for on-terminal rail switching operations. The U.S. Department of Transportation is partially funding the project with a \$44-million grant.

This project will have far-reaching effects. By bringing switching operations onto the terminal's existing footprint, Lynch said at the GPA State of the Port event last September in Savannah, 10,000-foot unit trains will be able to be built on the terminal and moved directly to their destinations. This means additional cargo volume, which equals more jobs.

"When you get synergies, with streamlined efficiencies, so these bigger unit trains can go all the way to Memphis or Chicago non-stop," Miller says. "If the rail can give these cars priority on the main lines, you are looking at a breaking point right there to unleash a dam of [logistics flow] and create access to the Port of Savannah in ways [shippers and carriers] never had before."

The promise of new efficiencies has many manufacturers considering a move to be closer to these rail lines and inland ports. Atlanta-based flooring retailer Floor & Decor, for example, is opening a 1.4-million-square-foot distribution center on 90 acres just 10 miles from the Savannah port, bringing 115 jobs to the area.

Plus, rail cars that are currently left at the ports as the goods transfer on and off ships or trucks could become assets for other agricultural and industrial export companies. For

example, when Kia ships its cars to the Port of Savannah via the Cordele Intermodal Services facility or Volkswagen ships cars to the upcoming Appalachian Inland Port in Murray County to export via the port to other countries, a surplus of empty container cars ends up at these sites. Cars other companies can fill with their own products ready to ship out. This is known as transloading, but it requires more space and more tracks.

While there would likely be some additional investment required on behalf of rail companies like Norfolk Southern and CSX to reuse these assets, says Miller, state leaders are looking at the possibility. Other states, like Virginia and New Jersey, have established similar **main banks** at their intermodal and port facilities.

**They all want it,** says Miller. **Companies with their own cargo know we're not just talking and have a visceral response [to our strategies], because of the pain they have felt dealing with Los Angeles, Long Beach and New Jersey, where they just don't have the efficiencies we have. As we reconfigure to provide better access, the Mid-American Arc is one more key in the door lock.**

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## Growing Pains

Whether manufacturers, shippers or third-party logistics companies (3PLs), all logistics organizations in the state are gearing up for growth that's already coming.

In fact, the Port of Savannah seems to move more cargo each month. In January, a record 331,469 twenty-foot-equivalent units (TEUs) went through the port. Meanwhile, Hartsfield-Jackson has seen a 12.44 percent increase in metric tons of cargo transported year-over-year.

Private-sector investment announcements continue, too, says Miller, which is huge for logistics in that three-quarters of those businesses require logistics services to succeed.

This is good news for a company like DHL Logistics, Georgia's largest logistics firm, which is doing a lot of hiring, DHL Supply Chain Human Resources Manager Dominic Stokes said at a panel for the South Metro Business Development Conference in February. E-commerce is further fueling the logistics boom, he added, since it often requires just-in-time inventory management. **Consumers want it now.**

Finding labor for such a fast-growing industry remains a challenge, Stokes said, even though the state is putting a lot of resources behind growing its logistics workforce. This challenge is Georgia's opportunity: 3PLs are a \$150-billion-a-year industry in the U.S.; mom-and-pop operations are the backbone, and hires often need little experience.

**The [easier-to-use] technology piece is huge,** Sean Conrad, vice president of operations for atlfreight.com, an Atlanta-based transportation services company operating throughout the Southeast, told conference attendees. **We hire mostly young people out of high school that don't need experience, at higher than minimum wage. And the payoff can be big,** Conrad said. **A baggage handler can [one day] be sitting in this chair.**

Ndapa Mendy, president & CEO of Baobab Logistics LLC, a cargo and freight company, notes the **ups and downs are harder on us owner-operators,** His company has stabilized by serving bigger companies like DHL and The Home Depot, meeting their shortfalls in capacity. **There are endless opportunities [in Metro Atlanta],** he says, **because of the location, between the port and the rest of the country; proximity to [bigger] companies; and also technology putting warehouses closer to the consumers.**

On the shipping side, Delores Ross, logistics manager for Mitsubishi Hitachi Power Systems Americas Inc., is effusive. **This state just works better than other places,** she says. **We worked as a customs broker for 27 years. If you are going to manufacture, you should be in Georgia.**

The Hartsfield-Savannah Port connection has boosted efficiency for manufacturers like Mitsubishi, says Ross. **You can get cargo from Atlanta to Savannah in hours and out of port more quickly than a lot of states. It's amazing,** she says. **Customs here is great in Savannah, and we have no problems [with customs] in Atlanta either. We communicate, and have a great working relationship.**

Ross says she relies on the annual Georgia Logistics Summit organized by the Center of Innovation for Logistics, held this year on May 16-17 at the Georgia World Congress Center in Atlanta, to meet demand for 3PLs. **Every year at the summit, I find a new carrier,** she says. **We are always in need of expeditors. We build gigantic things, but they**

may require a two-pound part, and we need to get it in a few hours. The parts come in on a plane at 4 p.m., and we need it by midnight.+

Hartsfield-Jackson is working to help her reach her midnight goal with the development of an air cargo strategy that will include infrastructure to match the efficiency of the Port of Savannah. Air cargo is part of the \$6-billion ATLNext expansion at Hartsfield-Jackson, with the goals of growing employment, encouraging new cargo routes for existing carriers and keeping the airport humming 24 hours a day.

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## Ripple Effect

In addition to 3PLs, growth ripples out to industry micro-sectors like yard management . the coordination of trucks and trailers moving around the property of a manufacturing facility, warehouse or distribution center.

We hold freight for a lot of Fortune 500 companies and do a lot of yard spotting work for short mode rail within a few hundred yards around a manufacturing warehouse like up in Dalton,+says Conway Amar, vice president for strategic sales at the Southern Freight transportation company and president of the Transportation Club of Atlanta, which represents the trucking industry. There are mostly in and out trucks, but yard management helps pull the trailer to the door.+

It may not be flashy, but yard spotting, or yard hostling or shunting [directing trucks to vehicle parking or docking areas], is the fastest-growing piece of the business. It's currently a quarter of our profits, and we want to grow it to half.+

Technology, mainly in the form of external services like supply chain management, is another logistics growth area these days. That encompasses companies like Chainalytics, which offers supply chain intelligence and consulting services for heavily regulated logistics companies.

At this year's conference, we will continue our logistics student showcase where 50 college kids can display their projects and vie for internships,+says Miller. We will also feature for the first time a logistics technology showcase for small companies and startups that have created any sort of hardware or software tech offering.+

As consumers continue to do more shopping online, more companies are transitioning to a just-in-time form of logistics. In fact, a recent study says that e-commerce will grow by 9 percent annually through 2020. However, Miller says less than 40 percent of companies supply chains are digitized and are falling behind the curve. So many small- and medium-sized companies are still not using any sort of smart tech app and are unaware of the possibilities.+

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## More Partnerships

There is also potential growth for Georgia's shipping infrastructure in the public-private partnership space, says Miller. It is still not our typical way of funding or even operating infrastructure,+she notes, but overseas models are proving their effectiveness. Spain, England and France have all privatized much of their long-distance rail.

With an eye toward promised infrastructure investments, the Federal Rail Administration is working on behalf of a group of southeastern states to help execute a southeast rail plan, says Miller. There is a group of two or three dozen of us who meet every few months . from Virginia, North Carolina, South Carolina, Georgia, Florida and Tennessee . and we're teasing ourselves up for the potential of what may come for rail.+

This would be a space in which rails are regulated by government, much like the Federal Aviation Administration manages air space,+says Miller, and local governments fund stations. The analogy is there, and it works well. I think it really might be something that happens.+

There is a wait-and-see sniffing of the air, but additional transportation infrastructure investment on the federal level . whether trains, planes or automobiles . will be good for logistics-heavy states like Georgia. It also helps that the state has taken on its own transportation funding and dredging work.

And then there is work on the local level, whether it is in the form of Transportation Special Purpose Local Option Sales Taxes (T-SPLOSTs) or self-taxing community

improvement districts (CIDs). Henry County is considering a freight corridor CID in the north, and a CID is fueling growth along the largest industrial corridor east of the Mississippi River, Fulton Industrial Boulevard.

Next to Hartsfield-Jackson Atlanta International Airport, the Aerotropolis Atlanta CIDs have 27 projects planned for the next five years, amounting to \$100 million in investment. In northwest Atlanta, shipping giant UPS is investing \$400 million in a new facility near Charlie Brown Airport in the Boulevard Improvement District. % will be a world-class facility, where 1,250 people will process 100,000 packages an hour, at good wages, +says Al Nash, executive director of the Development Authority of Fulton County.

Those are just some of the recent announcements, and there will surely be more to come.

% expect more international companies will locate here in the region because there are no wait times, and everything flows beautifully, +Mitsubishi Hitachi Ross says. % is a pleasure to do business in the state of Georgia. +