



Highway Accessibility Underpins Location Decisions

Highway accessibility — the number-one ranked factor by Area Development's 2007 Corporate Survey respondents — undeniably forms the essential nexus between workers, suppliers, producers, distributors, and markets.

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The debate over the importance of individual facility location factors has flourished through the decades. States, regions, and communities have labored to define and promote the most effective combination of factors available to them in response to evolving business needs. Business has endeavored to adapt to changing competitive circumstances and has continually revised the emphasis it places on these factors. Yet one thing remains constant in our search for the most favorable location: a strong foundation is imperative to gain competitive advantage.

Few aspects of an area's competitiveness are more fundamental than its infrastructure systems, and no other infrastructure system exerts a more elemental influence on a facility's location than the complex of highways that will serve it. Accordingly, over the course of this decade, Area Development's annual Corporate Survey has consistently ranked highway accessibility among the top-five location factors. Indeed, during the last four years, corporate decision-makers have placed highway accessibility no lower than the number-two spot and have again awarded it the number-one ranking in 2008.

A Basic Need

While corporate decision-makers, economic developers, and site selection consultants often overtly concentrate on seemingly sexier location decision factors, highway accessibility is never out of mind. Whether it delivers workers, materials, services, goods, or emergency vehicles — or provides entry to markets and customers — an area's highway system is basic to business operations. Further, the efficiency of that highway system enables informed decisions as to which modes of transport will best achieve a company's time-to-market objectives.

Although highway systems are among the least elastic and most expensive and time-consuming to construct, they are also among the most effective at stimulating new investment. Numerous examples exist to demonstrate this proposition. For instance, the historic growth of the distribution sector in and around Carlisle, Pa., is due in no small part to the intersection of four interstate highways nearby at Harrisburg and the supporting system of highways that facilitate surface transportation to all points of the compass. Similarly, Kentucky and Indiana's three-bridges project is already encouraging new development on both sides of the Ohio River despite its completion date — some 12 years off — in 2020. Phoenix's West Valley is also undergoing a surge in new business investment led by the distribution sector, which largely relies on the strength of the area's highway connections to West Coast markets. Further examples are manifold, and one fact is inescapable: highway accessibility exerts a preponderant influence on the distribution of economic activity throughout the United States.

Transportation infrastructure is crucial to virtually every facility for access to people, support services, just-in-time materials delivery, and end-product distribution. Moreover, logistics costs comprise the single largest variable cost category for production and distribution. Inefficiency in any one aspect of the supply chain echoes throughout the entire operation, often in an unfortunate way.

Transportation cost, reliability, highway access, and market connectivity are all interconnected. An interstate-quality highway with dual access is highly desirable for large-scale manufacturing and distribution facilities. At the site level, redundant ingress/egress points on high-quality, public secondary roads are important, not only to minimize potential barriers to access, but also to ensure access for fire-fighting, emergency medical, police, and other essential services. Additionally, assurance of adequate design standards to accommodate commercial traffic needs careful attention. Appropriate controls for truck access and employee vehicle access are also important, as is highway access for other transport modes coincident with highways. Considered together, transportation and infrastructure factors converge at the highway to promote or constrain commerce.

Interconnected Modes

A rail-served site is often key, with strong emphasis on competing carrier access. Some preference for a connection to a main-line carrier is appropriate, although short-line rail carriers are playing ever-larger roles today, as major carriers concentrate services on higher-volume tracks in denser markets. A rail yard or transloading facility is frequently desirable in close proximity. As with the air transport considerations noted below, each transport component relies heavily on highway access and ease of use to carry out its role efficiently in the business process.

Air transport is often critical for customers, suppliers, vendors, and company executives alike as we move deeper into a truly global economy. Typically, proximity to a hub with flights to primary destinations is a preferred, but not absolute, requirement. Most North American operations have fairly common domestic destinations and often enable businesses to source high-value materials or services from distant suppliers. Such reach becomes more advantageous when combined with good highway access.

International destination access requirements are largely dependent upon the company and the nature of its operations. Headquarters and transnational establishments are most likely to incorporate international market air access in their investment decisions. Equally, high-value/low-volume/high-technology operations will rely relatively more heavily on international air service for cargo and passenger transport than more commodity-oriented manufacturing and distribution operations.

Smaller airports face somewhat of a disadvantage when we consider travel from the office or home to the airport for connection to a large national hub. Increased security concerns and congestion in larger cities — where such hubs are typically located — have virtually equalized airport convenience for many communities, especially in light of current major carrier contractions that are virtually eliminating routes and discontinuing service to certain smaller markets. In this context, highway accessibility and ease of reach play an increasingly prominent role in business development decisions.

The need for waterborne transportation will vary with each project depending on where components are sourced, the nature and volumes of the commodities shipped, and their ultimate destinations. In many cases, containerized subassemblies, components, or finished goods may be coming from South America, the Caribbean, Asia, or Europe, and a link to a deepwater port via rail and interstate highways is important. Under any conditions, highway accessibility provides the essential connection among all modes of transport in use.

It's no surprise then that the respondents to Area Development's 2007 Corporate Survey ranked highway accessibility as the number-one location factor considered when companies execute the decision to invest in new productive capacity. Highway accessibility is often assumed, but not always explored openly in site selection discussions. Arguably, it may very well be a factor that we take for granted. Nonetheless, highway accessibility undeniably forms the essential nexus between workers, suppliers, producers, distributors, and markets. And while it may be supplanted from time to time by other decision factors — such as labor availability or energy cost — highway accessibility will remain near the top in its enduring influence on the location of new business investments.

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