

Global TransPark Is an Investment in the Future

by Gov. James G. Martin



North Carolina can seize a unique and profitable opportunity by pursuing plans for an air-cargo/industrial park complex. Like Research Triangle Park, the Global TransPark is a far-sighted venture that could create thousands of jobs and pump millions of dollars into the state's economy. The East Coast might support only one such complex, however. So, North Carolina must move quickly—before other states capitalize on the idea.



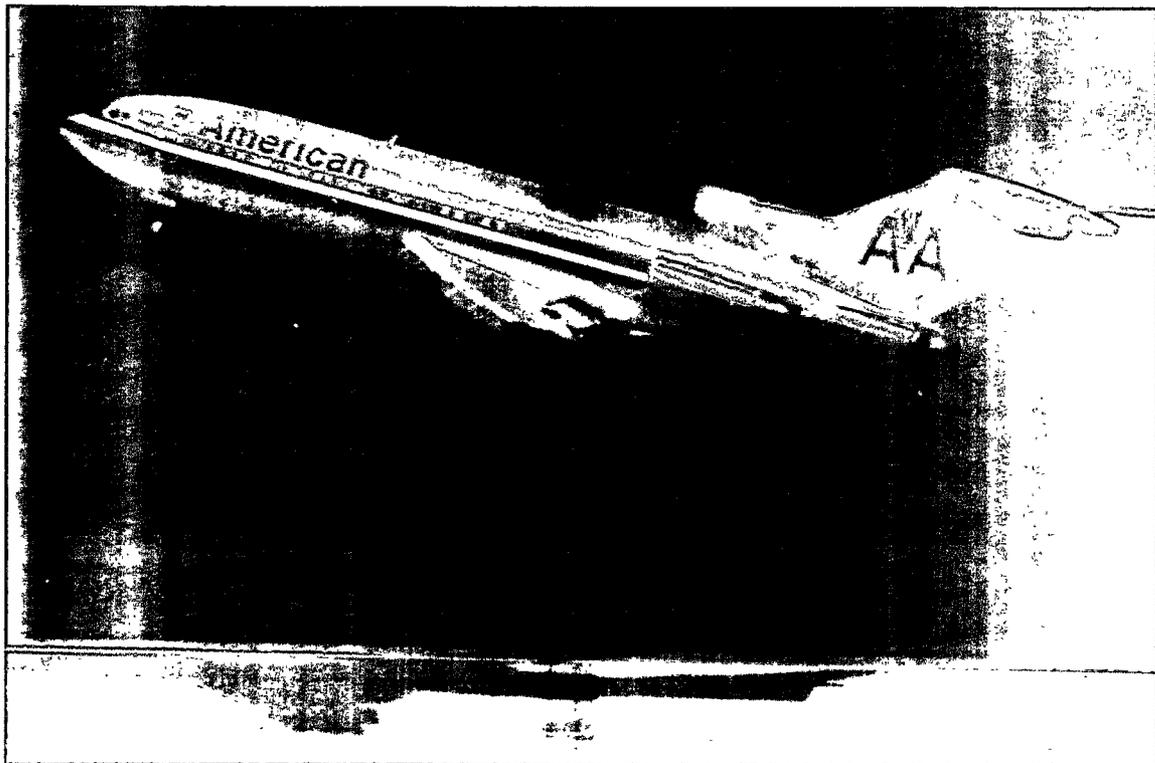
Imagine you own a North Carolina company that has just received a large order from a major European client. The company needs your product for use on its assembly line—tomorrow. How do you fill the order and ship it as quickly as possible, while saving you and your client time and money?

If your company were located at the proposed Global TransPark, you could begin processing the order the same day it arrived and ship your product to any point on the globe in a matter of hours. For products assembled from parts made elsewhere, those parts could be flown in overnight. Such "just-in-time" production would give your company an edge in the increasingly stiff competition for world trade, at the same time cutting expenses by limiting the need for storing large inventories.

That scenario illustrates how the Global TransPark could revolutionize business practices in the 21st Century—by providing the access,

speed, and reliability needed for just-in-time production. As envisioned by John D. Kasarda, director of the Kenan Institute of Private Enterprise at UNC-Chapel Hill, the Global TransPark would consist of an industrial park clustered around an advanced transportation network that includes an international cargo airport. (See Figure 1, p.28.) The complex would improve access to global markets by combining the most up-to-date technology in transportation, cargo handling, industrial production, and telecommunications. Cargo planes would fly components, finished products, and raw materials all over the nation and the world. Manufacturers would assemble products on demand and

James G. Martin, a Republican, has served as North Carolina's governor since 1985. He also chairs the N.C. Air Cargo Authority Board, which is charged with evaluating the proposed Global TransPark. When his second term expires in January 1993, he plans to chair the research development board directing the James G. Cannon Research Center at Carolinas Medical Center in Charlotte.



Nearly half the nation's air cargo is transported in the bellies of passenger planes, such as this American Airlines' craft taking off at Raleigh-Durham International Airport.

then dispatch them to domestic and international markets using state-of-the-art aviation, trucking, rail, and shipping facilities.

Just-in-time manufacturing is a process in which companies try to avoid stocking large inventories of supplies and finished products. Instead, they rely on fast communication and transportation to supply them with just enough components and raw materials to meet their orders, while delivering finished products to their customers on short notice.

A just-in-time plant is like an industrial fast-food restaurant. But instead of hamburgers or pizza, it produces made-to-order clothing, computers, or automobiles. More and more manufacturers are shifting toward such customized production, primarily as a means to cut storage costs.

"All manufacturers are trying to move toward minimizing their inventories," Kasarda says. "If you have a huge inventory, who's paying for that? Basically you've got your money tied up in stock that isn't moving. Inventory is nothing but lost money. What just-in-time does is it synchronizes all elements of manufacturing and distribution so

that production and delivery times are minimized and inventories eliminated. In the ideal case, you would have no inventories. Everything would be a seamless process of production and distribution. Whether it's the finished product or the raw materials, things arrive just in time—at the precise time when they are needed."

Just-in-time production also enables manufacturers to keep up better with quickly changing styles and lets them tailor their production to customers' needs. "Research shows that tastes are changing much more rapidly today than they did in previous decades," Kasarda says. "What is hot one month may not be so hot the next month."¹

Transportation: The Key To Economic Growth

History teaches us that transportation is a catalyst for economic development—wherever roads led, development followed. Kasarda calls global air-cargo/industrial parks the logical next step in the evolution of trade. So far, he says, the United States has gone through four "waves" of

economic growth—all tied to transportation advances. In the first wave, cities like Boston and New York developed at *seaports* with access to major shipping routes. The second wave of development occurred in cities like Buffalo, Pittsburgh, and St. Louis located along *rivers and canals*. The next growth wave was linked to *railroad lines*, with cities like Atlanta springing up at major junctions. In the most recent wave, development has prospered most in cities and suburbs with access to *major highways*.²

North Carolina is currently riding the crest of that fourth wave of economic development. The state's roadways, railways, and airports place North Carolina businesses within easy access of New York, Atlanta, and other major cities along the East Coast. That transportation network provides distribution routes to both national and international markets.

Already known as the "Good Roads State,"³ North Carolina plans to build 3,000 miles of four-lane divided highways that will reach within 10 miles of 96 percent of the state's population and will open distribution routes to businesses statewide.⁴ The state's deep-water ports in Wilmington and Morehead City, as well as its international airports in Charlotte, Greensboro, and Raleigh-Durham, also offer gateways to a number of foreign markets.

Businesses have taken advantage of the opportunities offered by the state's transportation network. In 1987, North Carolina companies exported \$4.5 billion worth of products. In just five short years, after a strong promotion effort, export sales nearly doubled—jumping to \$8.5 billion. During that time, North Carolina was one of the few states with a trade surplus, growing from \$1.4 million in 1987 to \$596.8 million in 1991.

The numbers show that North Carolina has increased its competitiveness in the global marketplace at a phenomenal rate—and that trend should continue. But competing successfully with other states and nations will depend on North Carolina's ability to increase the speed and efficiency in which its businesses can ship quality products to markets around the world.

Air Cargo: The 5th Wave Of Economic Growth?

To meet that challenge, North Carolina must leap forward to the next stage of transportation and economic development. As defined by Kasarda, the "5th wave" is the integration of three

The Global TransPark proposal is visionary, just as the Research Triangle Park was in its conceptual stages. The state's investment in Research Triangle Park since the early 1960s has paid for itself many times over, in new jobs, increased tax revenues, and economic growth across North Carolina.

components—globalization, just-in-time production, and aviation. These three forces are irreversible. In the new economy, time is the critical competitive factor. Speed, speed, and more speed will separate global winners from losers.

The Global TransPark represents the 5th wave—the logical next step in the evolution of trade. And records show that the progression already is underway. Worldwide, air-cargo traffic increased at an average rate of 8.6 percent between 1970 and 1990. That trend is expected to intensify in the future, with the growing importance of international trade. (See Table 5, p. 44.) Over the past two decades, for instance, the volume of U.S. exports grew at an average rate of 19 percent per year.⁵

North Carolina has experienced similar trends. In 1990, the state's 100 counties produced more than 195,000 tons of air cargo traffic. That figure is expected to increase six-fold by the year 2010. The total weight of cargo handled at the state's largest airports grew by more than 12 percent annually from 1983 to 1990.⁶

Air freight has continued to grow in spite of rising fuel costs. "Today 35 percent of the U.S. exports by value goes by air," Kasarda says. "Pretty soon that will be 50 percent. Air freight went up in the face of the oil crises in the 1970s. It hasn't gone down with recessions. It steadily climbs in volume and value."



Gov. James G. Martin speaks to the N.C. Air Cargo Airport Authority.

Global TransPark: The Next Research Triangle Park?

The Global TransPark proposal is visionary, just as the Research Triangle Park was in its conceptual stages. The state's investment in Research Triangle Park since the early 1960s has paid for itself many times over, in new jobs, increased tax revenues, and economic growth across North Carolina. After 33 years, the Triangle's research and development center has achieved world renown; it covers 6,800 acres, employs more than 33,000 people, and has a total investment of \$2 billion.

In comparison, the Global TransPark complex is expected to employ nearly 28,000 by the year 2000, with more than 59,000 related jobs statewide. (See Table 4, p. 37.) The park should increase employment at businesses across North Carolina as more companies locate here to use the complex and supply its associated companies. Moreover, most of the new jobs should be relatively high paying, because they would be associated with high-tech industries in areas such as electronics, computers, pharmaceuticals, and medical equipment.⁷

Some mistakenly have compared Global TransPark to existing cargo airports, such as the

Alliance Airport near Fort Worth, Texas.⁸ (See Table 2, p. 32-33.) Although elements of the proposal have been implemented elsewhere, no facility in the world incorporates all of the features proposed for the North Carolina complex. Nevertheless, other states are considering similar projects and some, such as Kentucky and Florida, have taken advantage of North Carolina's feasibility study in developing private venture proposals.

It's unlikely, however, that there's enough business to support more than one such complex in the Eastern United States. That means North Carolina must move quickly if it hopes to forestall competitors by being the first to build an air cargo/industrial park complex.

A Global TransPark will be built somewhere. The question is: Will it be in North Carolina, or will it be in another state? Right now, North Carolina enjoys what strategists call the first-mover's advantage. The state must maintain that edge if it is to enjoy the full benefits of such a facility. Alternatively, North Carolina could sacrifice jobs, revenue, and economic growth to another state with greater foresight if state leaders lack the energy and commitment to carry out this project.

The N.C. Air Cargo Airport Authority is responsible for determining the study's final feasibility, which includes market acceptance and fi-

financial prospects. The authority is determined to study the proposal, work out details, and seek solutions to problems as they arise. By keeping the project on track, the board hopes to keep North Carolina ahead of its competitors and first in line for the Global TransPark's benefits.

Potential Benefits Staggering

Other states are developing competing proposals for good reasons. In total economic impact, Global TransPark would generate an estimated \$3.8 billion in 2000 and \$12.9 billion in 2010, according to the feasibility study prepared for the state.⁹ (See Table 4, p. 37.) These estimates show the benefits of such a facility would be

staggering—not just for the community where it is located, but for the entire state. The feasibility study predicts that by the year 2000 the complex would:

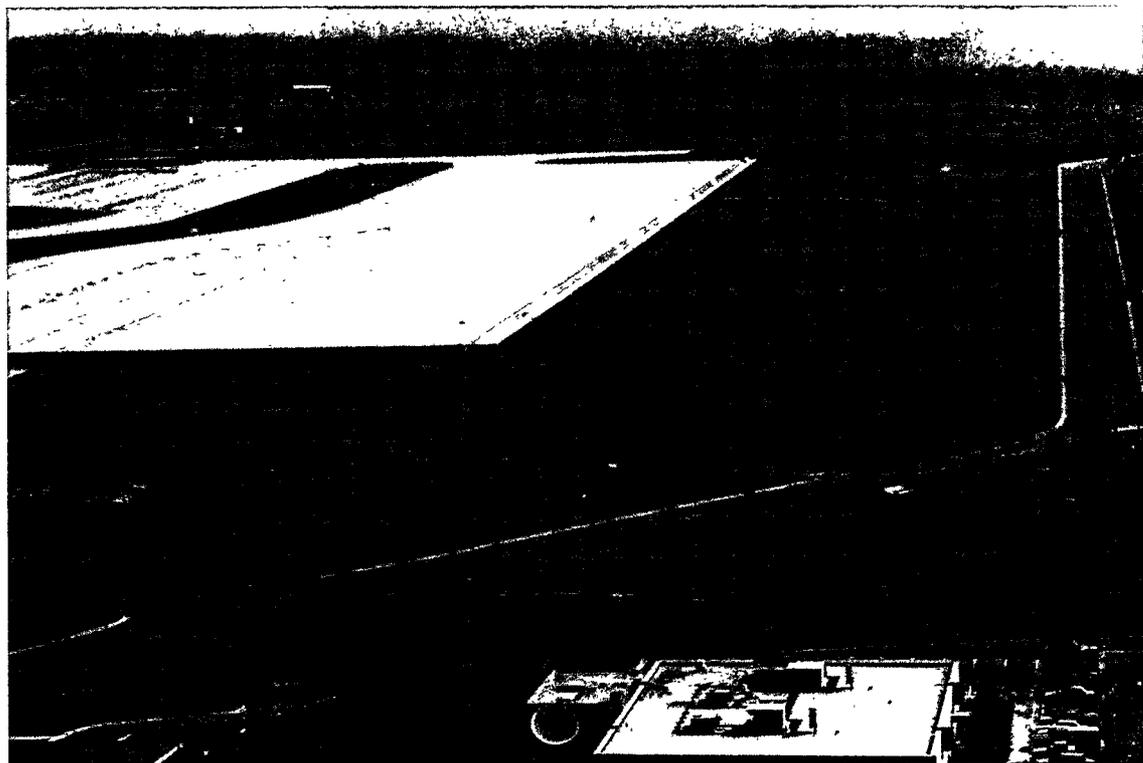
- Generate nearly 123,000 tons of air cargo—roughly half the amount now handled by the state's three largest commercial airports.
- Create nearly 28,000 jobs at the complex—almost as many as the number of people who now work in Research Triangle Park.
- Contribute to the formation of nearly 59,200 jobs statewide—about the same number of people who live in the city of Asheville.
- Produce \$3.8 billion in total economic impact—nearly half the amount of the state government's 1991-92 General Fund budget.

Table 5. Current and Projected Air Cargo Traffic At North Carolina Commercial Airports, Without Proposed Global TransPark
(thousands of tons)

Airport	1990	1995	2000	2010
Charlotte/Douglas International	125.1	247.9	424.3	1,179.9
Piedmont Triad International	50.3	96.9	155.2	431.8
Raleigh-Durham International	75.1	135.8	414.7	626.7
All Others ¹	4.0	7.3	11.6	29.0
TOTAL	254.5	487.8	820.0	2,267.3

Source: Transportation Management Group, *North Carolina Air Cargo System Plan and a Global Air Cargo Industrial Complex Study*, Executive Summary, February 1992, p. 9.

¹ Includes 10 commercial airports in Asheville, Fayetteville, Greenville, Hickory, Jacksonville, Kinston, New Bern, Rocky Mount, Wilmington, and Winston-Salem.



Raleigh-Durham International Airport is building a new \$30 million facility to handle its booming air-cargo business, which expanded six-fold from 1980 to 1991.

Like any large development, the project also would require a sizable initial investment. Transportation Management Group Inc., the Raleigh consulting firm that prepared the state's feasibility study, estimated that building the complex would cost: \$156 million, if located at an existing airport; \$281 million, if located at a military base; and \$552 million, if located at a new "greenfield" site.¹⁰ (See Table 6, p. 54.) Development costs could be less if the state obtains funding from the Federal Aviation Administration, which typically pays 90 percent of the cost of building approved airport facilities.

Moreover, the state could develop the air-cargo complex without drawing public funds from schools, roads, and other infrastructure. The huge revenue flow created by this project will more than pay for the additional costs—the roads, the schools—generated by increased economic growth.

While building such a facility certainly could be expensive, that cost would be an investment in our state's future. North Carolina cannot hope to expand significantly its existing foothold in world trade unless it establishes the transportation sys-

tem that would foster that growth.

Communities hoping to attract new industries often provide water, sewer, transportation, and other improvements to make their areas more attractive for investment. That same principle applies to the Global TransPark, only on an international scale. The project is sure to attract industry and investment from around the world, once the state provides an infrastructure of runways, roads, and railroads that would guarantee access, speed, and reliability to global markets.

Problems Can Be Overcome

Yet, for all the potential benefits, the state must overcome many challenges before it can build this facility. For example, about 2,000 bilateral agreements, dating back to 1945, currently determine what routes international carriers can fly. The nation drastically needs to modify the framework for these agreements because they severely hinder the ability of American business to compete in the global economy. Perhaps air cargo will lead the way toward more open flight policies.

While building such a facility certainly could be expensive, that cost would be an investment in our state's future.

Global TransPark, because of its projected size and scope of operation, also would present a number of environmental challenges, such as the potential noise from cargo aircraft. The key to success is recognizing those problems and providing an acceptable balance between progress and environmental protection. For example, plans for the Global TransPark currently call for a wide, natural buffer zone that would help shield neighboring communities from excess noise.

Even some environmentalists agree that the complex, if properly sited and designed, could cause minimal harm. "I think this is a project, that if put in the right place, could be environmentally neutral to environmentally beneficial," says Michael F. Corcoran, executive vice president of the N.C. Wildlife Federation. Conservationists probably would oppose the project if it destroyed wetlands or critical habitats for wildlife and endangered species, he says. But they might support the project, if it included large buffer zones that shielded residential areas from noise while doubling as habitat reserves for plants and animals.

"We're at the point now that if we can conserve habitat, we'll do it wherever and whenever we can," Corcoran says. "The environmental community isn't against growth. We're just asking for managed and properly handled growth—and this complex has the potential to be that, if it's handled right. It's clearly being fast-tracked, there's no doubt about that. But the site you choose makes all the difference in the world."

Complex Would Benefit All of North Carolina

In May, the Air Cargo Airport Authority selected Kinston Regional Jetport as its preferred site. (See Figure 2, p. 38.) Kinston already has \$220 million in assets and resources available, including a runway capable of handling large airplanes. The airport also has an air-traffic control tower, scheduled commercial flights, and a master

plan for building a second 7,500-foot runway—all approved by the Federal Aviation Administration.

Kinston has another advantage as well. It is close to the state's major military bases. Like manufactured goods, military personnel and equipment could be moved through the Global TransPark "just-in-time" to carry out the nation's military objectives overseas. Therefore, the facility would be a major asset for the military's capability in deploying its forces swiftly and efficiently to anywhere on the globe. The complex's proximity to ports in Wilmington and Morehead City also would benefit industries that continue to rely on shipping for obtaining raw materials or delivering finished products.

But the benefits from Global TransPark would not be confined just to Kinston or eastern North Carolina. The complex would spur economic growth statewide, just as the proximity of Research Triangle Park has attracted new industries to Charlotte, Greensboro, and other cities outside the Triangle. For example, rather than competing with the state's existing commercial airports, the Global TransPark eventually would *help* other facilities because its international trade would generate more cargo business for nearby airports that primarily focus on domestic markets. Although other airports initially may see slower growth in their freight business, they will continue to fill national and regional needs. As the complex grows and captures new markets, all commercial airports should benefit from increased freight and passenger traffic.

Many local leaders recognize such potential benefits. For instance, G. Smedes York, former Raleigh mayor and current chair of the Raleigh-Durham International Airport Authority, says his board generally supports the Global TransPark concept. "The authority members feel that this is a visionary concept that could be very good for the state of North Carolina," York says. "I don't think we feel threatened by it. We serve our region and will continue to do that. We feel that it will be more complementary than it will be competitive."

Already, the Global TransPark has brought major benefits to North Carolina due to increased visibility in domestic and foreign business communities. Some 15 companies are considering locating at the complex, and we expect more interest as the project progresses. "I'm getting fax's from people all around the world who are interested in this," Kasarda says. "Knowledgeable people in the industry are saying this can work, that this has merit."¹¹ That view is supported by

Tom W. Bradshaw, a cargo authority member and director of transportation for the First Boston Corp. in New York. "Outside North Carolina, they have had tremendous interest in this [project]—in companies across the spectrum," says Bradshaw, a former Raleigh mayor and state secretary of transportation. "In the professional transportation community itself, North Carolina is being recognized for looking at this transportation/air cargo/industrial park complex."

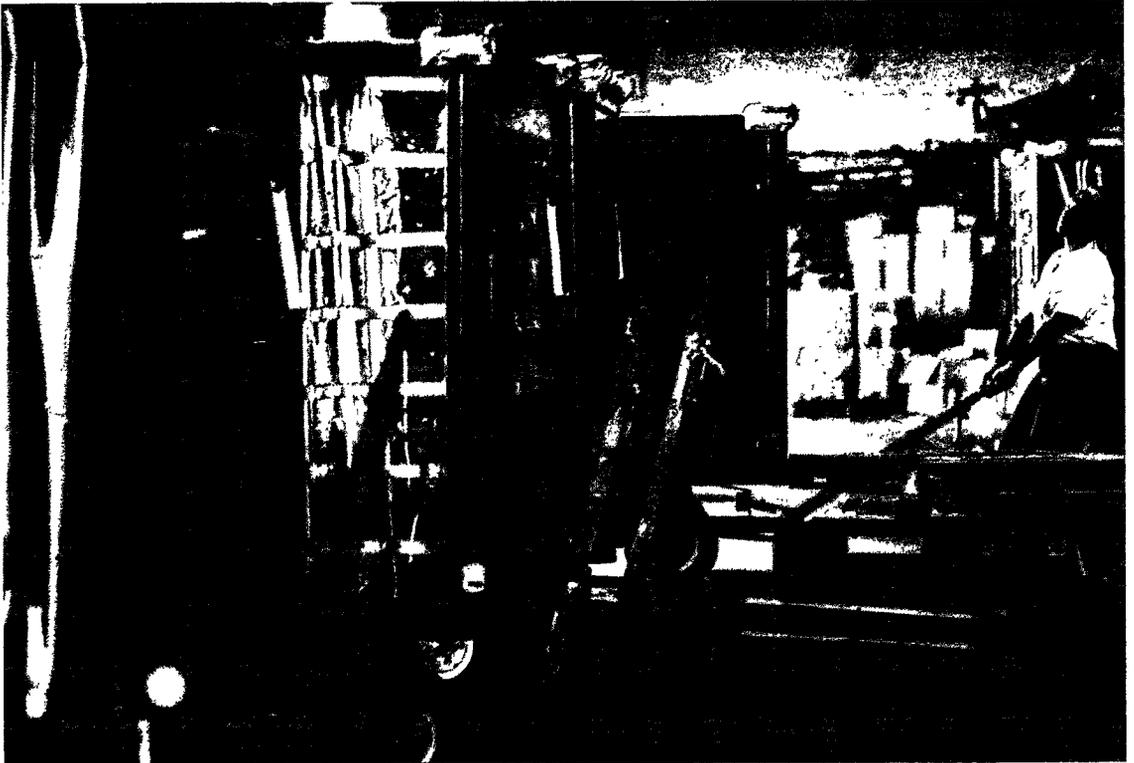
Marketing the complex also makes it possible to promote other economic opportunities in the state as well. Under normal circumstances, it is difficult to open doors to corporate offices to talk about investment opportunities in North Carolina. The Global TransPark has opened doors wide, however, because of the high degree of corporate interest in the project. As a result, a wide variety of companies have expressed increased interest in North Carolina as a site for business investment. In 1991, North Carolina led the nation—for the fourth time in five years—with 111 major new factories. That growth represented a 9 percent increase, during a recessionary period when such investment declined 35 percent nationwide. Clearly, the Global TransPark proposal has brought

North Carolina to the attention of corporate decision makers.

But the Global TransPark is only one piece in our economic puzzle. Although it holds a great deal of promise for North Carolina, it will not overshadow other efforts to create public-private partnerships for economic development across the state. In fact, if North Carolina is to compete internationally, the United States must better understand how government and the private sector can work together to improve commerce. The success of joint efforts in European and Pacific-Rim countries shows that we must continue our efforts to develop such partnerships.

Global TransPark The Key To International Trade

Global marketing is becoming increasingly important for companies trying to maintain or increase their business. But aviation is the only mode of transportation that can guarantee just-in-time distribution, particularly for companies dealing in international trade. "There's no question that the richest markets for North Carolina businesses in the 21st century are going to be in the



Karen Tam

Pacific Rim countries," Kasarda says, referring to Japan, China, and other Far Eastern nations. "That's the biggest market for exports.

"Today the Pacific Rim is a \$4-trillion-a-year market, growing at \$5 billion a week. It has 60 percent of the world's population, huge increases in its middle classes and growing consumption rates. But North Carolina is on the wrong side of the country to compete effectively—except by aviation. Air freight levels the playing field for North Carolina and the West Coast states in dealing with the booming Pacific Rim."

With air freight, companies in North Carolina are only three hours further (the time it takes for a cross-country flight) from the Far East than California and other Pacific Coast states. Eventually, air freight will be used for transporting heavy, bulky, and low value-to-weight items that generally go by less-expensive means such as boats, trucks, and railroads. That view challenges long-held assumptions in transportation economics, but Kasarda says the shift is already occurring in textiles and many food products.

"Traditional transportation economics, the models don't hold up any more," he says. "That was the original theory, that materials shipped by air would be small, light, compact, and high value-to-weight. Today, virtually anything that can be put into a cargo pallet or container goes by air—even heavy machinery, autos, and cattle. What industry is competing over now is quality and time. So air freight is going to gain in importance. The only thing that can guarantee just-in-time manufacturing on a global scale is aviation."

The Global TransPark also is symbolic. It marks a new path that government and private enterprise can follow toward renewed prosperity and competitiveness in global markets. The Global TransPark would set a new agenda that integrates a highly expensive and fragmented transportation network to strengthen the economic future of both our state and nation.

North Carolina now has the opportunity to shape its destiny. Whatever the Global TransPark's final form, it is sure to become a shining star on the map of international investment. That will mean better jobs, roads, schools, and economic opportunities for our citizens. We can make that future happen at Kinston.

FOOTNOTES

¹ See John D. Kasarda, "Global Air Cargo-Industrial Complexes as Development Tools," *Economic Development Quarterly*, Vol. 5, No. 3 (August 1991), pp. 187-196.

² John D. Kasarda, "A Global Air Cargo-Industrial Complex for the State of North Carolina," Kenan Institute of Private Enterprise, UNC Business School, Chapel Hill, N.C., December 1990, p. 1.

³ According to the 1989-90 *North Carolina Manual*, edited by John L. Cheney Jr. and published by the Secretary of State, North Carolina's reputation dates back to 1879. That's when the legislature enacted the Mecklenberg Road Law, which allowed counties to build roads with revenues from property taxes. By 1893, there was widespread interest in better roads—as evidenced by a "Good Roads Conference" that attracted business and government leaders from across the state.

⁴ In 1989, the General Assembly enacted legislation advocated by Gov. Martin that called for \$9.2 billion in highway construction over the following 12 years.

⁵ Transportation Management Group Inc., "North Carolina Air Cargo System Plan and a Global Air Cargo Industrial Complex Study," Executive Summary, February 1992, p. 1.

⁶ *Ibid.*, Chapter 3, p. 26.

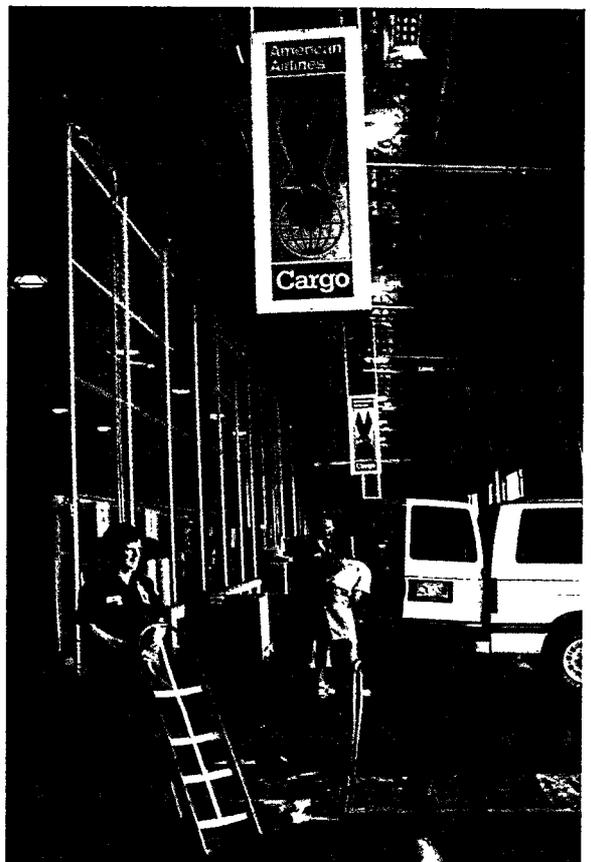
⁷ *Ibid.*, Executive Summary, pp. 19-20.

⁸ Alliance Airport was developed in part by Ross Perot Jr., son of the well-known Texas billionaire H. Ross Perot.

⁹ Transportation Management Group Inc., Executive Summary, p. 2.

¹⁰ *Ibid.*, p. 2.

¹¹ For more on what industry observers are saying, for and against the feasibility of large air cargo/industrial park complexes, see Nancy Nachman-Hunt, "If they build them, will global-minded corporations come?" *Expansion Management*, Jan.-Feb. 1992, pp. 14-22.



Karen Tam