



Main Office

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Energy & Environment

Cheryl Viegas-Walker, El Centro

Transportation

Keith Millhouse, Ventura County

Transportation Commission

No. 2 MEETING OF THE

GOODS MOVEMENT SUBCOMMITTEE

**Monday, October 29, 2012
10:00 a.m. – 12:00 p.m.**

**SCAG Los Angeles Office
818 West Seventh Street, 12th Floor
Los Angeles, CA 90017
(213) 236-1800
Room Policy B**

Videoconference Available

**Orange County Office
600 S. Main Street, Suite 906
Orange, CA 92863**

**San Bernardino County Office
1170 W. 3rd Street, Ste 140
San Bernardino, CA 92410**

**Ventura County Office
950 County Square Drive, Suite 101
Ventura, CA 93003**

**Imperial County Office
1405 N. Imperial Ave., Suite 1
El Centro, CA 92243**

**Riverside County Office
3403 10th Street, Suite 805
Riverside, CA 92501**

SOUTHERN CALIFORNIA



**ASSOCIATION of
GOVERNMENTS**

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If members of the public wish to review the attachments or have any questions on any of the agenda items, please contact Ed Rodriguez at (213) 236-1863 or via email rodrigu@scag.ca.gov

SCAG, in accordance with the Americans with Disabilities Act (ADA), will accommodate persons who require a modification of accommodation in order to participate in this meeting. If you require such assistance, please contact SCAG at (213) 236-1928 at least 72 hours in advance of the meeting to enable SCAG to make reasonable arrangements. To request documents related to this document in an alternative format, please contact (213) 236-1928.

**Goods Movement Subcommittee
Member List**

Los Angeles County: Hon. Barbara Messina, **Chair**/Member (LA)
 Hon. Paul Krekorian, 1st Alternate (LA)
 Hon. Jim Morton, 2nd Alternate (LA)
 Hon. Tim Spohn, 3rd Alternate (LA)
 Hon. Carol Herrera, 4th Alternate (LA)

Riverside County: Hon. Russell Betts, **Vice Chair**/Member (Riv)
 Hon. Jim Hyatt, Member (Riv)

Orange County: Hon. John Nielsen, Member (OC)
 Hon. Bert Hack, Alternate (OC)

San Bernardino County: Hon. Ryan McEachron, Member (SB)

Imperial County: Hon. Jack Terrazas, Member (Imp)

Ex-Officio Members

Paul Granillo, President & CEO, Inland Empire Economic Partnership
Wally Baker, President, Jobs 1st Alliance
Lupe Valdez, Director, Corporate Affairs, Union Pacific Railroad
Fran Inman, Majestic Realty
Michael A. Morris, Transportation Planner, Cal-South FHWA

GOODS MOVEMENT SUBCOMMITTEE

AGENDA

OCTOBER 29, 2012

The Goods Movement Subcommittee may consider and act upon any of the items listed on the agenda regardless of whether they are listed as information or action items.

CALL TO ORDER & PLEDGE OF ALLEGIANCE

(Hon. Barbara Messina, Chair)

PUBLIC COMMENT PERIOD – Members of the public desiring to speak on items on the agenda, or items not on the agenda, but within the purview of the Subcommittee, must fill out and present a speaker’s card to the Assistant prior to speaking. Comments will be limited to three minutes. The Chair may limit the total time for all comments to twenty minutes.

REVIEW AND PRIORITIZE AGENDA ITEMS

	<u>Time</u>	<u>Page No.</u>
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CONSENT CALENDAR

Approval Item

Minutes of September 24, 2012 Meeting	Attachment	1
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INFORMATION ITEMS

- | | | | |
|--|-------------------|-----------|-----------|
| 1. <u>Goods Movement Economics and Markets in the SCAG Region</u>
<i>(Michael Fischer, Cambridge Systematics)</i> | Attachment | 15 | 5 |
| 2. <u>International Trade and Economic Development in Southern California</u>
<i>(John Husing, Chief Economist, Inland Empire Economic Partnership)</i> | Attachment | 20 | 10 |
| 3. <u>Warehousing Operation Challenges</u>
<i>(B.J. Patterson, CEO Pacific Mountain Logistics, LLC and Board Member, Distribution Management Association)</i> | Attachment | 20 | 31 |

CHAIR’S REPORT

(Hon. Barbara Messina, Chair)

GOODS MOVEMENT SUBCOMMITTEE

AGENDA

OCTOBER 29, 2012

STAFF REPORT

(Annie Nam, SCAG Staff)

FUTURE AGENDA ITEMS

Any Subcommittee member or staff desiring to place items on a future agenda may make such a request.

ANNOUNCEMENTS

ADJOURNMENT

The next regular meeting of the Goods Movement Subcommittee meeting will be held on November 12, 2012 at the SCAG Los Angeles Office.

Goods Movement SubCommittee
of the
Southern California Association of Governments

September 24, 2012

Minutes

THE FOLLOWING MINUTES ARE A SUMMARY OF ACTIONS TAKEN BY THE GOODS MOVEMENT SUBCOMMITTEE. A DIGITAL RECORDING OF THE ACTUAL MEETING IS AVAILABLE FOR LISTENING IN SCAG'S OFFICE.

The Goods Movement Subcommittee held its meeting at SCAG's office in downtown Los Angeles. The meeting was called to order by Chair Hon. Barbara Messina, Alhambra. A quorum was present.

Members Present:

Hon. Barbara Messina (<i>Chair</i>)	Alhambra
Hon. Tim Spohn	City of Industry, SGVCOG
Hon. Carol Herrera	City of Diamond Bar
Hon. Russell Betts, (<i>Vice-Chair</i>)	Desert Hot Springs, CVAG
Hon. Jim Hyatt	Calimesa, District 3
Hon. Bert Hack	Laguna Woods, OCCOG (via videoconference)
Hon. Jack Terrazas	County of Imperial (via videoconference)
Paul Granillo	Inland Empire Economic Partnership (via videoconference)
Wally Baker	Jobs 1 st Alliance
Lupe Valdez	Union Pacific

Members Not Present:

Hon. Paul Krekorian	City of Los Angeles
Hon. Jim Morton	City of Lynwood
Hon. John Nielsen	City of Tustin
Hon. Ryan McEachron	City of Victorville, SANBAG
Fran Inman	Majestic Realty
Michael A. Morris	FHWA

CALL TO ORDER

Chair Hon. Barbara Messina, Alhambra, began the meeting at 10:03 a.m.

PUBLIC COMMENT PERIOD

No members of the public requested to make a comment.

REVIEW AND PRIORITIZE AGENDA ITEMS

There was no requested prioritization of the agenda.

ACTION ITEM

1. Subcommittee Work Plan and Deliverables

Alison Linder, SCAG Staff, provided an overview of the Goods Movement Subcommittee Work Plan. Ms. Linder stated the Work Plan covers the six meetings scheduled and begins with a goods movement overview in the first meeting and continues with an examination of economic impacts and key market functions in the second meeting. The third meeting examines emerging technologies and the environmental action plan.

Ms. Linder further stated the fourth meeting covers innovative financing, public-private partnerships and other revenue strategies. The fourth meeting is anticipated to be a joint meeting with the Transportation Finance Subcommittee. The fifth meeting will focus on Regional Freight Corridor Planning and the sixth meeting will conclude the subcommittee's work with a view toward an action plan for the 2016 RTP/SCS.

As a quorum was present a motion was made (Betts) to approve the proposed subcommittee work plan. The motion was seconded (Messina) and unanimously approved. Motion passed.

INFORMATION ITEMS

2. Overview of 2012-2035 RTP/SCS and Comprehensive Regional Goods Movement Plan and Implementation Strategy

Annie Nam, SCAG Manager of Goods Movement and Transportation Finance, provided an overview of the regional goods movement system and elements of the Goods Movement Strategy from the 2012 RTP/SCS. Ms. Nam stated the region has an extensive goods movement network including 3 major seaports, 6 commercial airports, an extensive network of freeways and arterials serving as truck corridors, 2 class one railroads, and 3 international border crossings. Additionally, there is an abundance of warehousing and distribution facilities as well as a large regional market driven by a population that will grow by 4 million by 2035.

Ms. Nam stated air quality is an important element in goods movement planning. In addition to the public health issues there is a requirement to reduce pollutants to levels established under the Federal Clean Air Act. The region is in non-attainment for several pollutants and must meet attainment deadlines. Moving toward a near zero or zero emission technology is critical within the timeframe of the 2012 RTP/SCS.

Further, Ms. Nam noted truck traffic is expected to increase through 2035 with the increase in goods movement. Truck traffic is expected to triple near the ports and double along the east-west truck corridors. Rail volume of both passengers and freight is also expected to increase by 2035. Ms. Nam stated SCAG's Goods Movement Vision seeks a world-class coordinated regional system that supports economic vitality and attains clean air and quality of life for our communities.

Ms. Nam stated that SCAG's analysis is built around how goods movement serves key industries driving the region's economy. While there is significant international goods movement the majority of goods movement trips in the region are generated by local businesses moving goods to

consumers. Several goods movement investments in the 2012 RTP/SCS were discussed. For instance, several benefits of a Clean Freight Corridor System were noted such as reduced truck delay, reduced total traffic delays, a separation of truck and passenger vehicle traffic, and reduced health impacts. An additional priority of the goods movement strategy includes reducing truck bottlenecks. It is anticipated that 1 million hours of truck delays could be eliminated annually if the highest priority truck bottlenecks are addressed. Nearly \$50 billion of goods movement system enhancements were noted in the 2012 RTP/SCS.

INFORMATION ITEMS

3. Border Crossing Study Update

Mike Jones, SCAG Staff, presented a review of the recently completed SCAG Border Crossing Study. Mr. Jones discussed the magnitude and importance of the international land border crossings in Imperial County. There are three Ports-of-Entry (POEs) in Imperial County: Andrade-Los Algodones, Calexico West-Mexicali I, and Calexico East-Mexicali II, which serve 99% of commercial traffic moving between the SCAG region and Mexico. Mr. Jones summarized the data collection methods employed for the study, including targeted stakeholder interviews, truck intercept surveys, and truck tracking. Goods movement in the area occurs primarily between manufacturing facilities in Mexico (maquiladoras) and warehouses and industries in the U.S. The movement of goods across the border is generally served by a significant amount of drayage activity, an important component of the supply chain.

Mr. Jones noted the highway system handles over 95% of goods moving across the border, while rail accounts for about 3%, mostly freight moving southbound. Mr. Jones stated 79% of northbound goods had initial destinations in California, with 61% destined for cities in the SCAG region. Approximately 63% of southbound goods had origins in California, with 35% originating in the SCAG region. Mr. Jones further stated commercial vehicle delays result in approximately \$70 million in total output losses to Imperial County. Recommended steps include further exploration of secondary (and final origins and destinations) of freight moving across the border, evaluations of the potential local and regional implications of increased maquiladora activity resulting from global macroeconomic shifts in manufacturing, consideration of infrastructure expansion and/or improvements at Imperial County POEs, and research that examines the potential for variable pricing.

CHAIR'S REPORT

Hon. Barbara Messina, Alhambra, polled the subcommittee on future meeting dates. It was determined the next subcommittee meeting will be October 29, 2012 and subsequent meetings would be scheduled for the second Monday each month.

Ms. Messina restated the subcommittee's purpose is to implement the existing policy in the 2012 RTP/SCS and to provide a forum for discussion of critical goods movement topics.

STAFF REPORT

Annie Nam noted the agenda packet includes an outline of a presentation by Sharon Neely, Chief Deputy Executive Director, given to the Ohio Conference on Freight covering key freight provisions of MAP-21 as well as important next steps.

ADJOURNMENT

The meeting adjourned at 11:40 a.m. The next meeting of the Goods Movement Subcommittee will be Monday, October 29, 2012 at the SCAG Los Angeles office.



Alison Linder, Associate Regional Planner
Transportation Planning

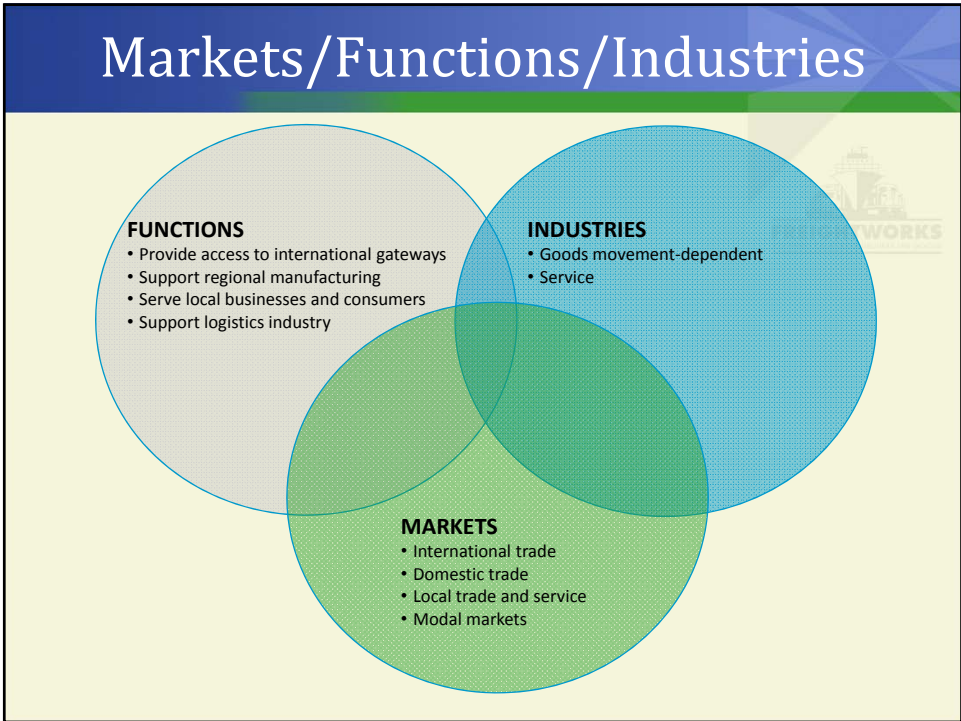
The cover features a photograph of a port with a crane lifting a container. The background is split into blue and green sections. The Southern California Association of Governments logo is in the top right. The title is centered in white text on a green background. The author's name and affiliation are in the bottom right.

SOUTHERN CALIFORNIA
ASSOCIATION OF GOVERNMENTS

Goods Movement Economics and Markets in the SCAG Region

Michael Fischer
Principal
Cambridge Systematics
October 29, 2012

FREIGHTWORKS
SOUTHERN CALIFORNIA DELIVERS THE GOODS



Goods Movement Functions in the Economy

- Provides access to international gateways
- Supports regional manufacturing
- Serves the supply chain needs of consumers and local businesses
- Supports a thriving logistics industry



Providing Access to International Gateways

The region is the largest **international trade gateway in the U.S.**, supported by marine ports, air cargo facilities, railroads, and freeways. In 2010, the Ports of Los Angeles, Long Beach, and Hueneme collectively handled **\$336 billion** of maritime cargo.



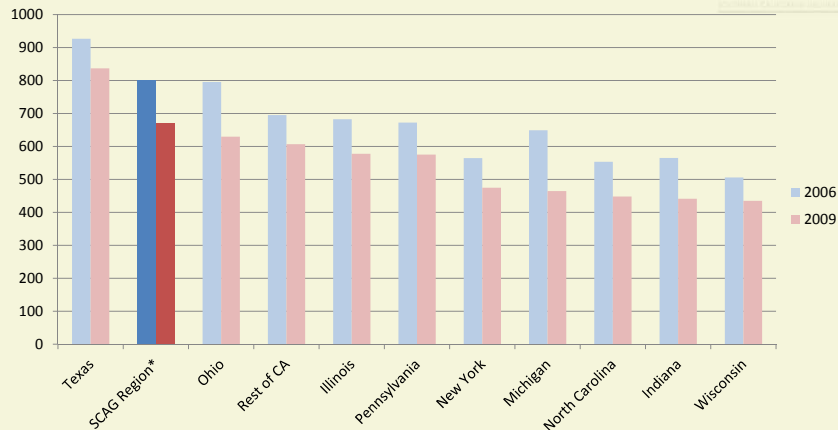
Regional airports handled over **\$78 billion** in international air cargo in 2010.

In 2010, over **\$10 billion** of trade passed through Imperial County POEs.

Supports Regional Manufacturing

- SCAG region is a major manufacturing center

Average Annual Manufacturing Employment (in thousands)



* Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties.

Importance of a Thriving Logistics Industry

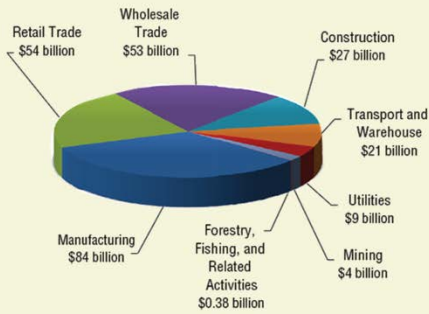
Logistics activities, and the jobs that go with them, depend on a network of warehousing and distribution facilities, highway and rail connections, and intermodal rail yards. The region has about 837 million square feet of warehousing space.



Goods Movement-Dependent Industries

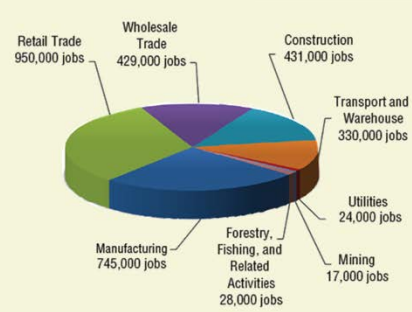
Economic Contributions

\$253 billion GRP



Employment Contributions

2.9 Million Jobs



Goods movement-dependent industries include manufacturing, retail trade, wholesale trade, construction, transportation, and warehousing sectors.

Modal Markets

Service Cost Continuum

Higher

Lower

Air Cargo Truck Rail Intermodal Rail Carload Rail Unit Water

Fastest,
Most reliable,
Most visible

Lowest weight,
Highest value,
Most time-sensitive cargo

Fast,
Reliable,
Visible

Range of weight and value
Rail intermodal competitive with
truck over longer distances

Slower,
Less reliable,
Less visible

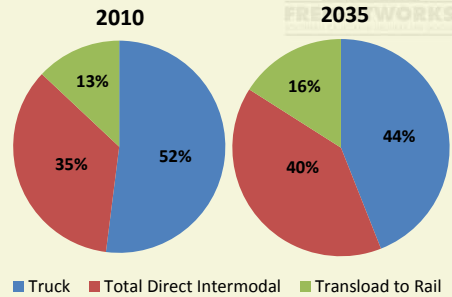
Highest weight,
Lowest value,
Least time-sensitive cargo

87 percent of truck trips in the region are non-port intraregional truck trips. The majority of port cargo leaves the region by rail.

Port Modal Markets

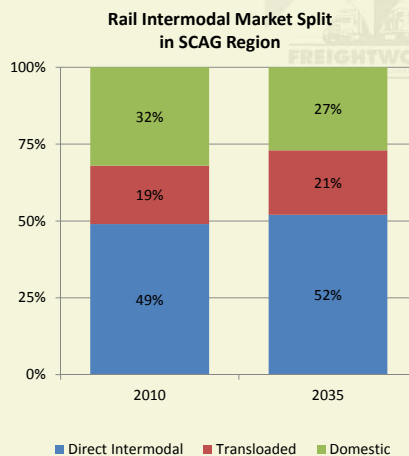
- Inland Point Intermodal (IPI) – moved intact in marine container by rail
- Transload – unloaded from marine container and reloaded in domestic container/trailer and moved by truck or rail
- Local without intent to transload – always by truck

Ports Container Volume by Market
(in Millions of Annual TEUs)

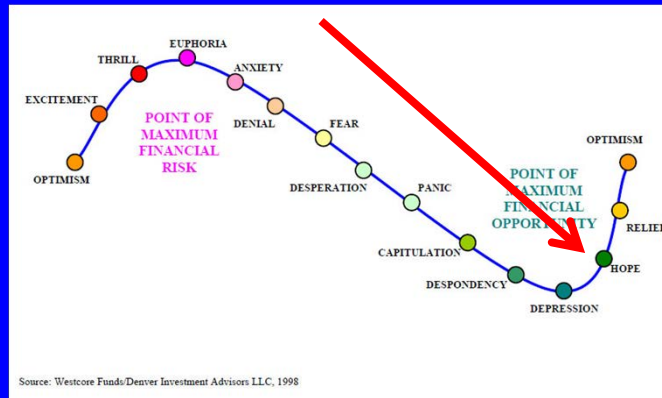


Regional Rail Market Splits

- Freight rail traffic growth in the region is dominated by port-related intermodal cargo
- Domestic intermodal rail is still important to many industries' supply chains
- Impacts types and locations of terminals and transload facilities



International Trade & Economic Development in So. California



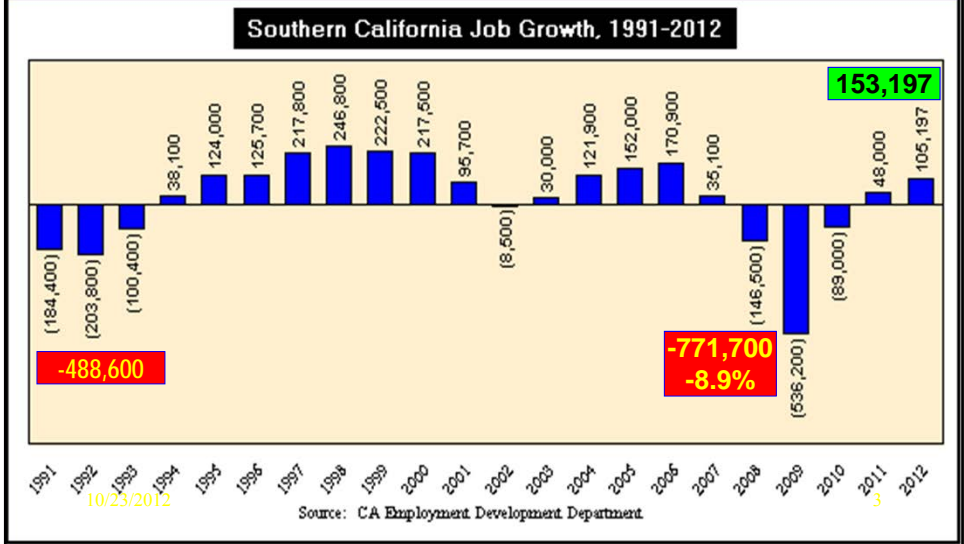
John E. Husing, Ph.D.
Economics & Politics, Inc.

Southern California Has Two Great Needs

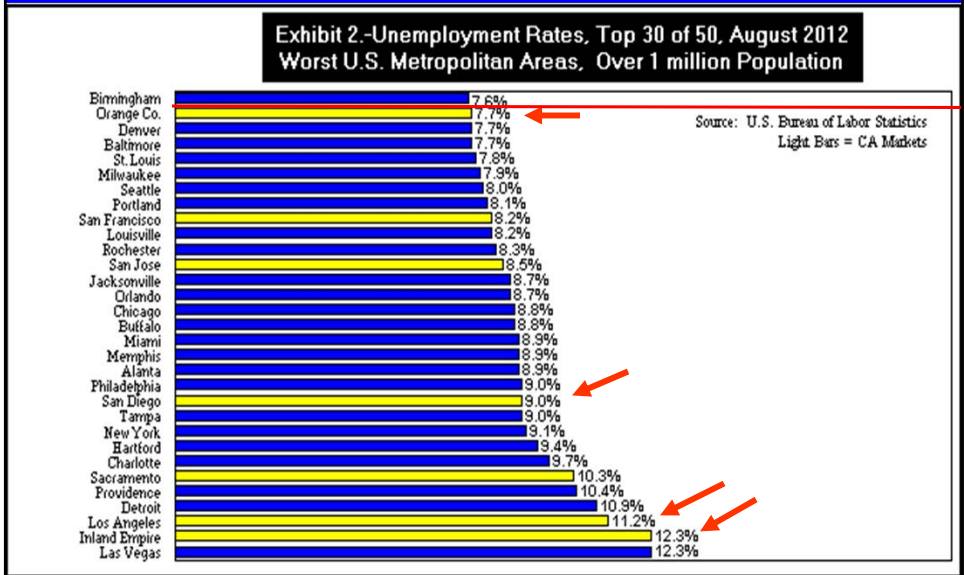
1. Any Job Creation

So. CA Job Change, 1991-2012e

Only +19.9% Recovered



Worst National Unemployment Rates U.S. 7.6% CA 10.4%

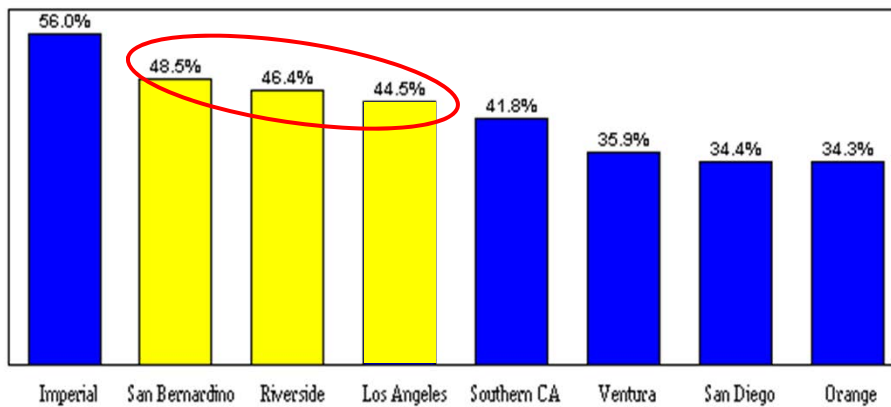


Southern California Has Two Great Needs

2. Blue Job Creation

Adults With High School Or Less Educations

Adult Educational Attainment
Inland Empire & Coastal Counties, 2011

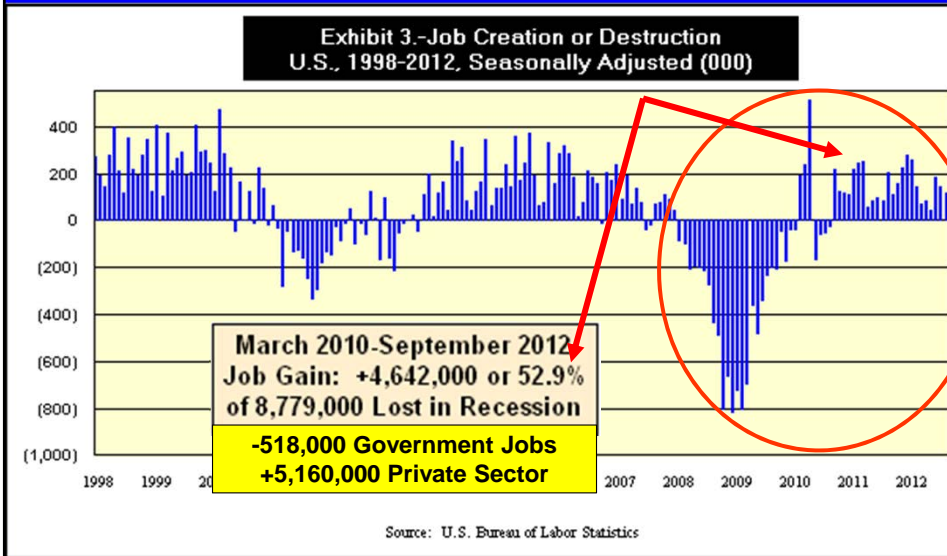


Source: American Community Survey

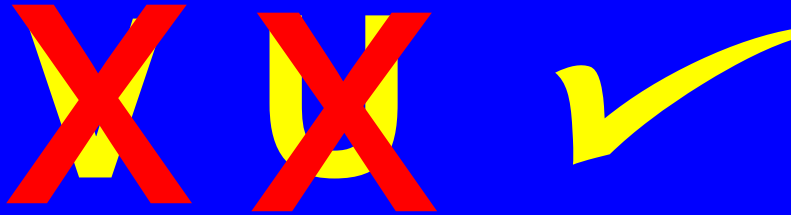
Few Training Barriers To Beginning Employment

Mining	(\$65,268)	Blue Collar
Wholesale Trade	(\$51,156)	Blue Collar
Manufacturing	(\$47,933)	Blue Collar
Logistics	(\$45,851)	Blue Collar
Wholesale (2005)	(\$43,492) Median	Blue Collar
Gaming	(\$37,827)	Alternative Jobs to Blue Collar
Retail Trade	(\$28,824)	
Agriculture	(\$24,552)	
Hotel/Motel	(\$16,026)	
Eating & Drinking	(\$16,026)	

After Losing 8.74 Million Jobs ... U.S. Job Creation Is Crawling Back

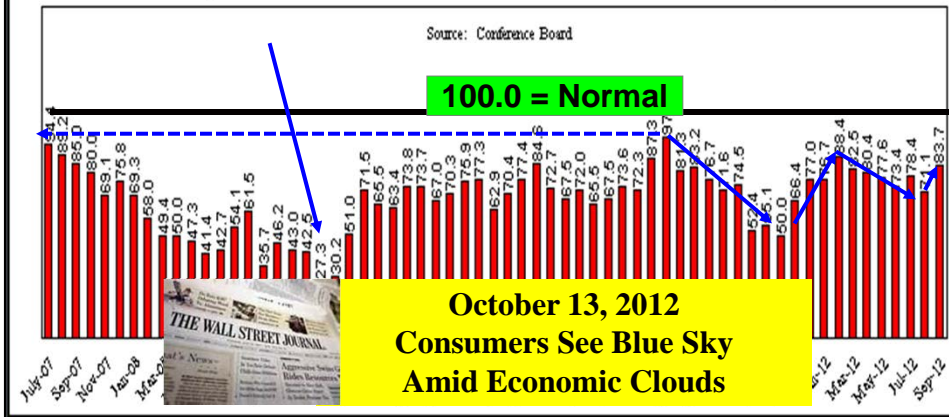


Pattern of Likely Recovery



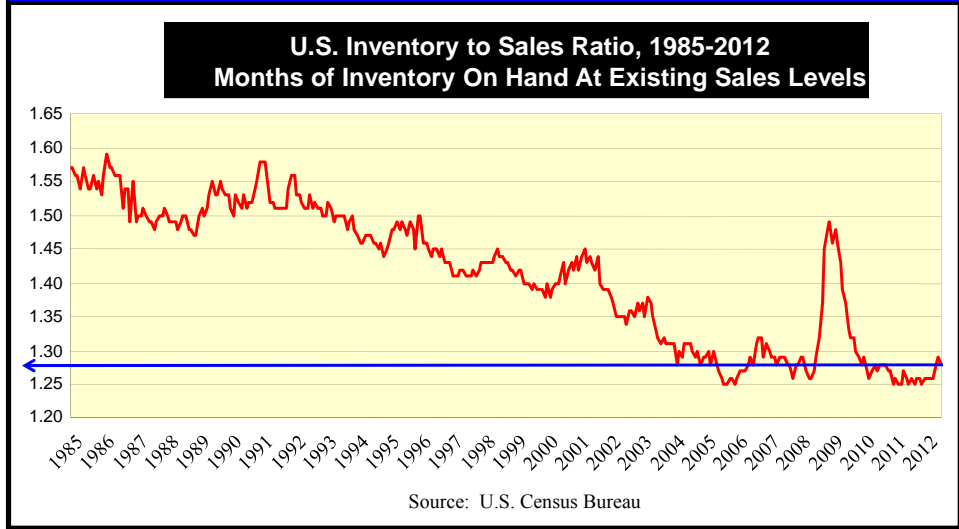
Consumers Are Less Skeptical About The Near Term Future

Exhibit 21.-U.S. Consumer Confidence Future Outlook, July 2007-Present



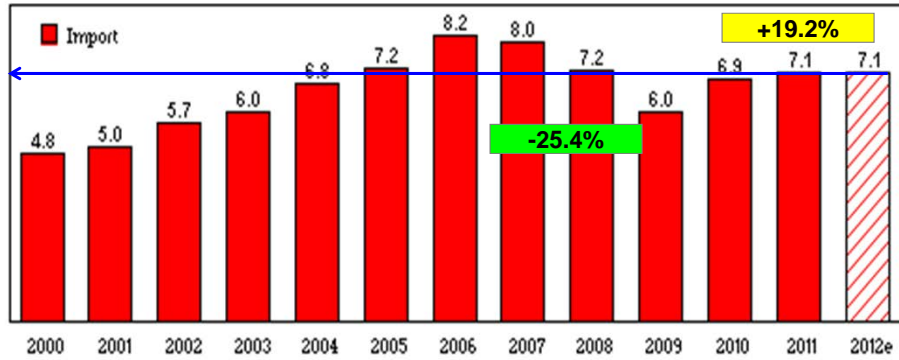


Inventories Low Relative To Sales Indicating Inventories Not Growing



Imported Container Volume Mostly Back

Import & Export Container Volume, 2000-2012e
Ports of Los Angeles & Long Beach (mil. teus)



2012 = Based upon experienced Year to Date, May
Source: Port Import Export Reporting Service (PIERS), collected from Vessel, LA-LB for 2011-2012

Ports On West Coast Near Asia



Los Angeles



Long Beach

Deep Water Ports As Ships Draw Over 50 feet of Water



8,000-Container Post-Panamax Ships

Port Unloading



Rail Inland



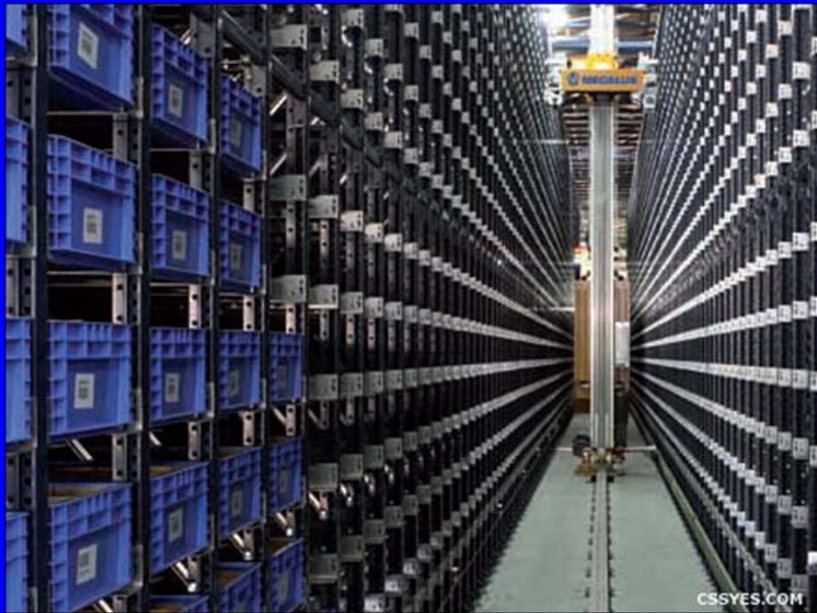
Truck Inland

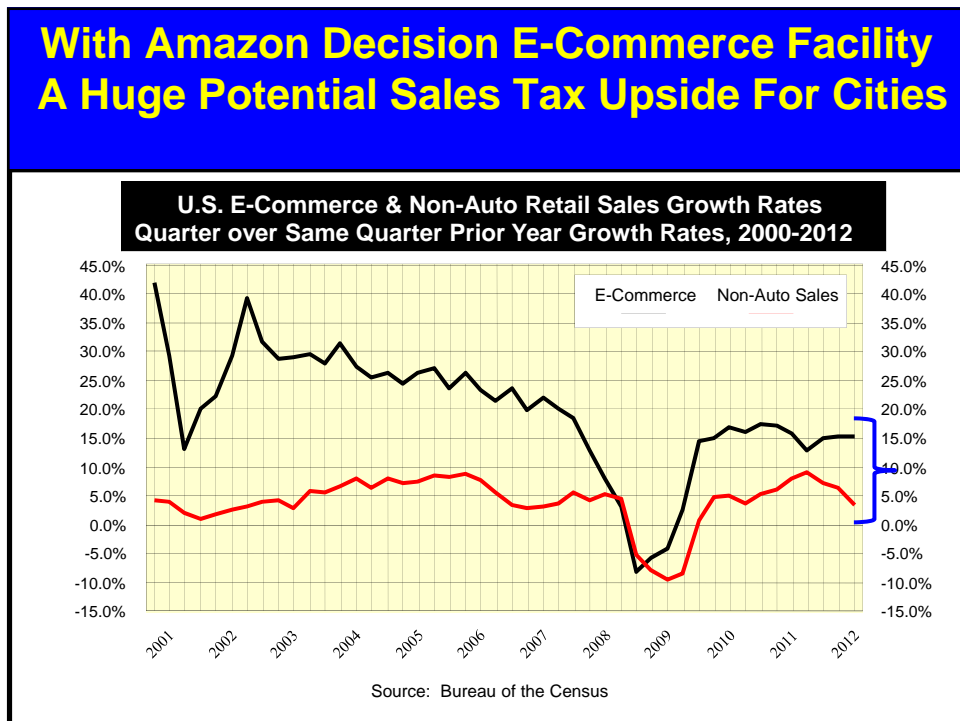


Warehousing



High-End Computerized Work





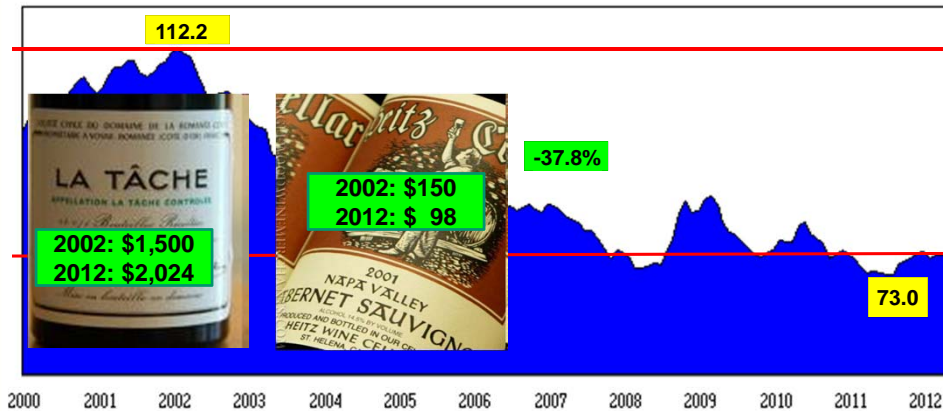
U.S. Production



International Trade

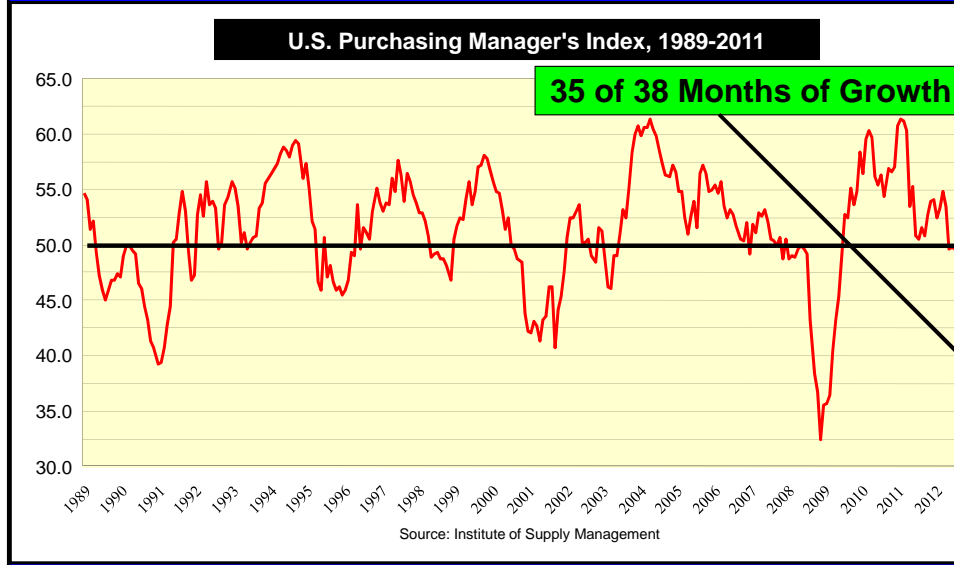
Dollar Down: U.S. Goods Cheaper

Value of Dollar vs. Major Currencies, 2000-2012

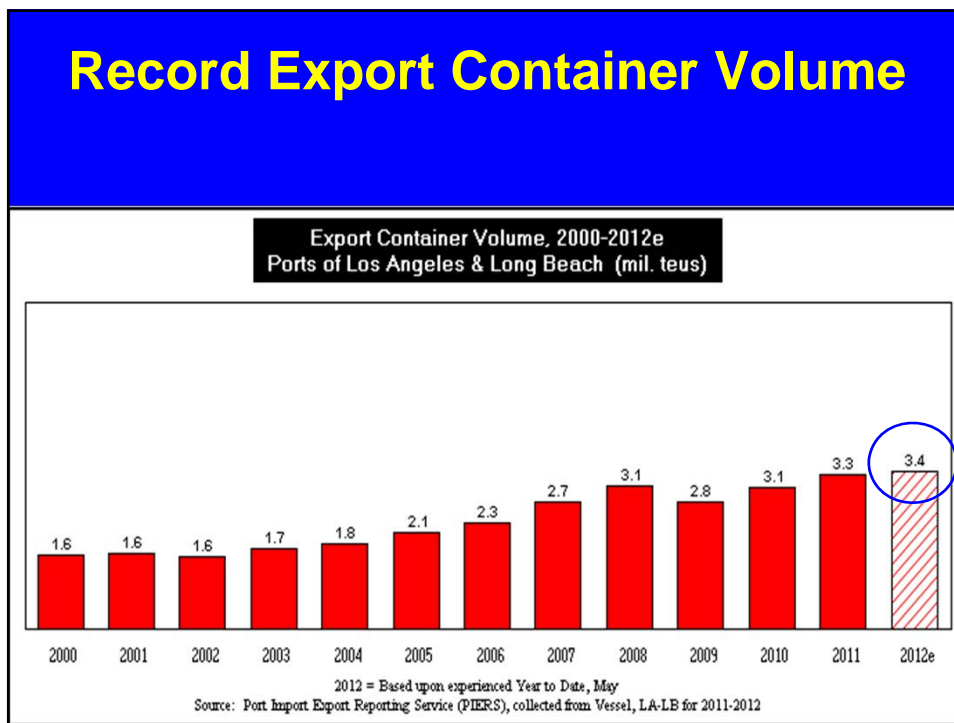


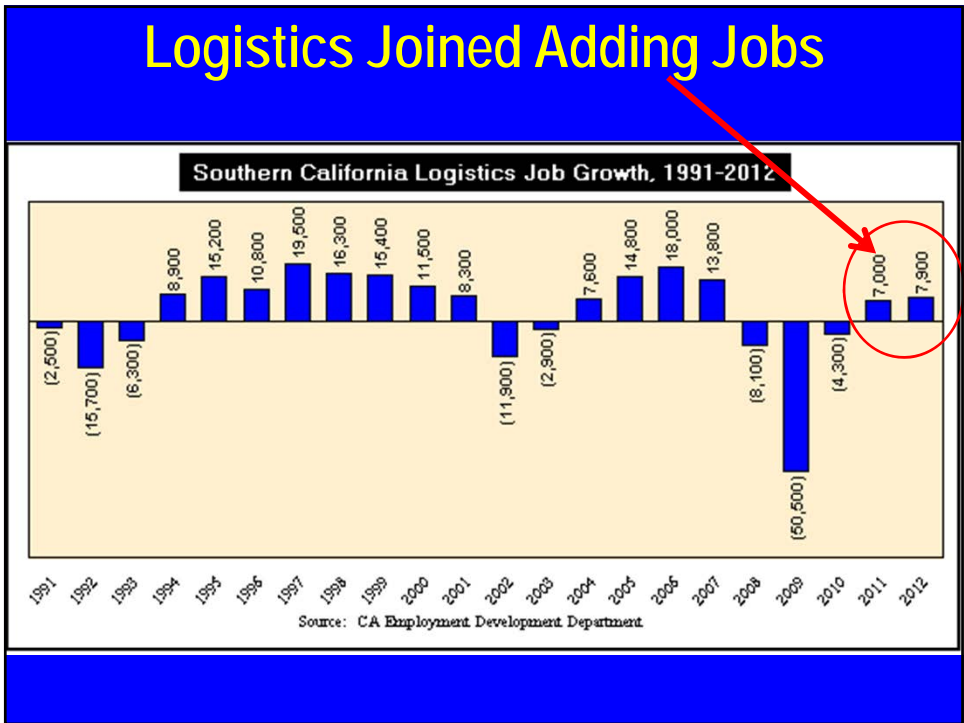
Source: U.S. Federal Reserve Board

Purchasing Manager's Index Remains Above 50 Indicating Mfg. Growth



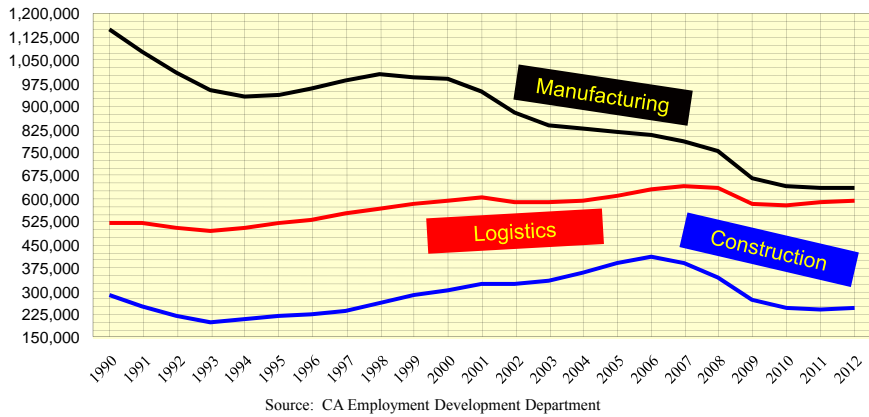
Record Export Container Volume





Blue Collar Job Trends

Southern California Logistics Job Growth, 1991-2012
Imperial, Los Angeles, Orange, Riverside, San Bernardino, Ventura



Gold Mine Theory



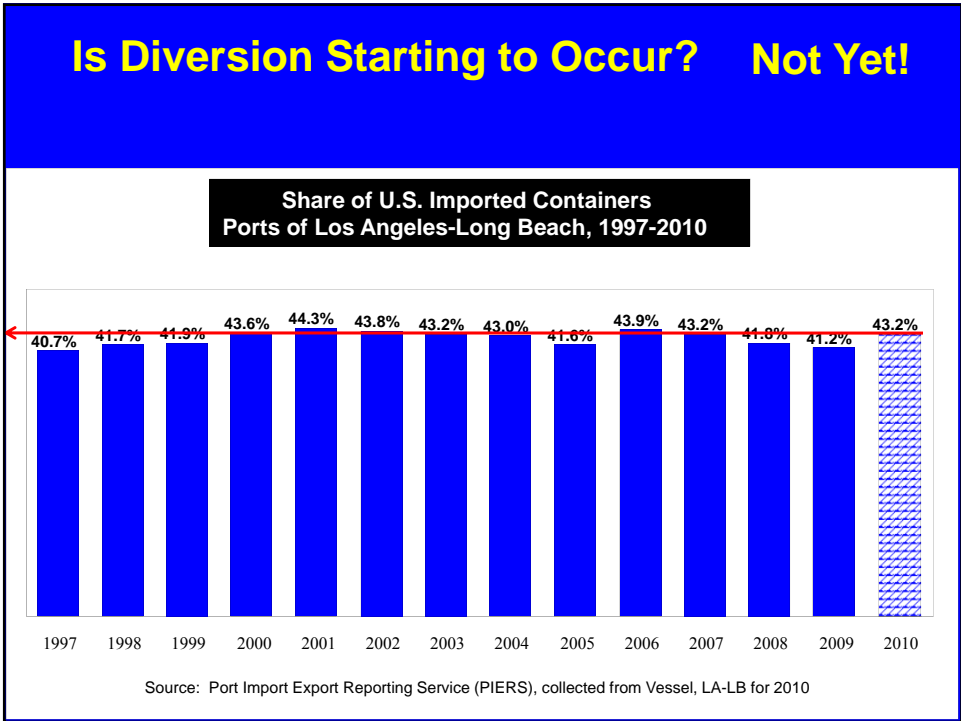
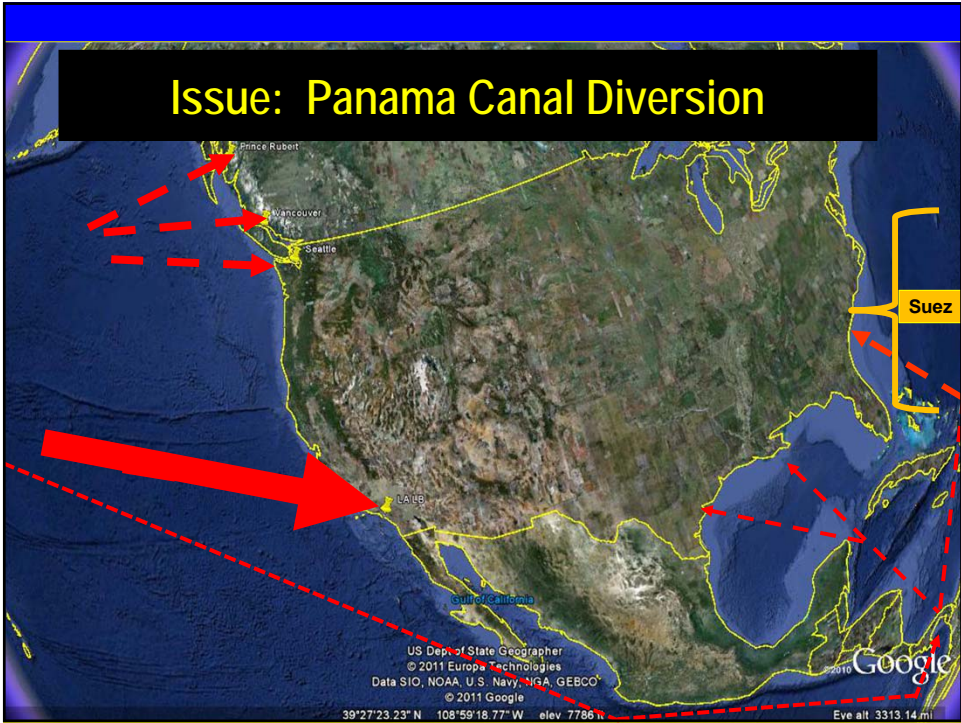
Secondary Tier

$$1.09 \times 594,955 = 648,501$$



Logistic Affected So. CA Jobs = 1,243,456
Of 8,015,395 Total So. CA Jobs = 16%



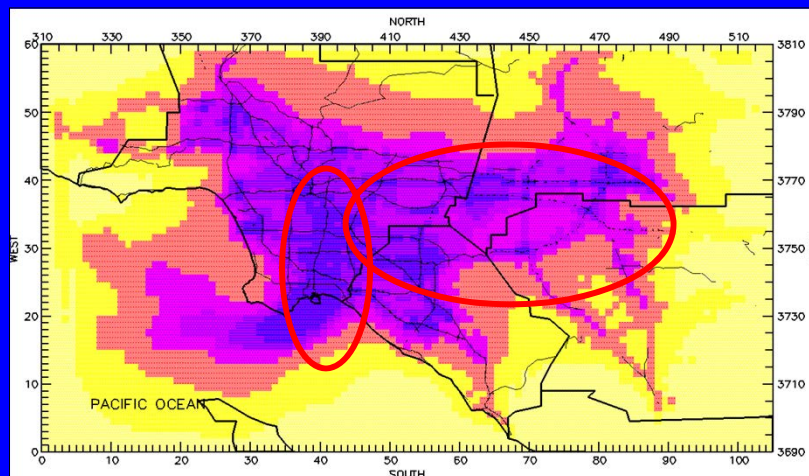


Who Cares If We Don't Grow Dirty Blue Collar Jobs?

**Policy Conflict:
Environment vs. Blue Collar Jobs**

Public Health

Blue Collar Sectors
Bring Rising Asthma & Cancer Risk From Airborne Toxics



California Solution

Single Issue Regulatory Agencies

CA Air Resources Board
 South Coast Air Quality Management District
 CA Environmental Protection Agency
 CA Water Resources Control Board
 & More

Results:

1. Air Quality Is Improving (PM2.5)

Monitoring Sites	Mira Loma-Van Buren	Riverside-Magnolia	Riverside-Rubidoux	Big Bear City- W. Valley Blvd	501 Fontana-Arrow Highway	Ontario-1408 Francis Street	San Bdo-4th Street	
2001			120.2			58.2	79.5	80.8
2002		88.4	92.6			73.7	67.4	88.9
2003		69.7	78.1			54.3	62.2	55.2
2004	*	47.8	57.3	*	*	*	*	*
2005	*	*	39.7	*	22.9	25.3	9.3	*
2006	46.2	31.3	*	*	27.2	*	*	*
2007	43.4	*	*	*	*	*	*	*
2008	*	12.4	15	5.7	19.3	19.4	9.5	9.5
2009	19	6	15.1	6.6	6.2	9	6.2	6.2
2010	8	6.3	4	*	6.6	3.2	5.9	5.9
2011	13	7.1	5	0	7.1	6.8		
2011-Earliest	-33.2	-81.3	-115.2	-6.6	-66.6	-72.7	-83.2	-83.2
Change	-71.9%	-92.0%	-95.8%	-100.0%	-90.4%	-91.4%	-93.4%	-93.4%

2. Downward Pressure on Blue Collar Jobs

Blue Collar Work Is Much of Our Workforce's Best Chance To Reach The Middle Class



Few Training Barriers To Beginning Employment

Mining	(\$65,268)	Blue Collar
Wholesale Trade	(\$51,156)	Blue Collar
Manufacturing	(\$47,933)	Blue Collar
Logistics	(\$45,851)	Blue Collar
Construction	(\$41,076)	Blue Collar
Gaming	(\$37,827)	Alternative Jobs to Blue Collar
Retail Trade	(\$28,824)	
Agriculture	(\$24,552)	
Hotel/Motel	(\$16,026)	
Eating & Drinking	(\$16,026)	

Results Of Job Suppression

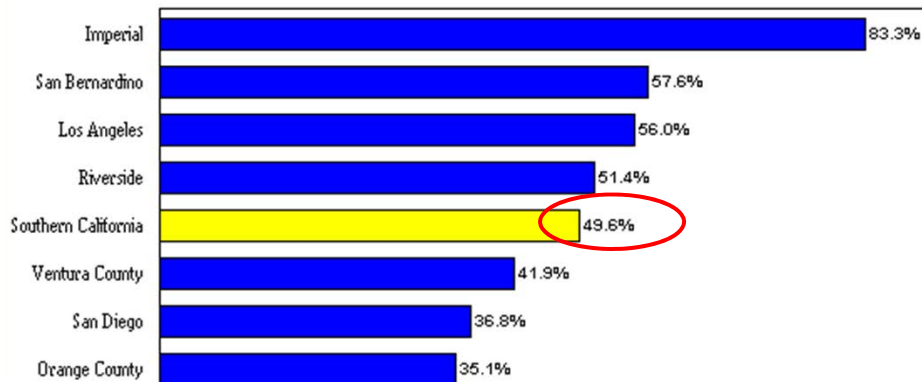
- Unemployment Higher Than It Needs To Be
- Underemployment A Constant Difficulty
- Lack of Access to Jobs Leading to the Middle Class



- Divorce
- Spousal Abuse
- Drug & Alcohol Abuse
- Suicide
- Lack of Timely Medical Care

Public Health Issues!

Hispanic & African American Diversity
Southern California Counties, 2010



Over 60% Of These Populations Also Stopped Their
Educations With High School or Less Schooling

Suppressing Blue Collar Jobs Is
Also A **Social Justice Issue**

Summary

1. So. CA needs jobs
2. Logistics responsible for 16% of all jobs in 2012 1,293,000 or 8,015,000
3. Growth potential
 - Consumer spending up
 - Inventories under control
4. E-commerce exploding
5. Import levels back to levels except for 2006-2007 surge
6. Export levels setting records
7. So. CA need blue collar jobs with 42% having high school or less educations
 - Jobs needed to help prevent public health crisis
 - Jobs needed to help prevent social justice crisis
8. Logistics is the one blue collar sector showing consistent growth
9. Logistics Threats
 - Panama Canal, Suez Canal
 - Lack of regulatory balance

www.johnhusing.com



Southern California Association of Governments

**Goods Movement Subcommittee Meeting
October 29, 2012**

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Warehousing Operation Challenges 2012

**B.J. Patterson
CEO/President**

PACIFIC MOUNTAIN LOGISTICS, LLC

BOARD MEMBER – DISTRIBUTION MANAGEMENT ASSOCIATION

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A Customer Centric 3PL

With customers ranging from the Fortune 100 to small and medium sized companies, as well as, start-ups.

**Third Party Distribution
Freight Brokerage
Consulting Services**

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A very different warehouse



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	<u>1992</u>	<u>2012</u>
▶ Service	Three weeks	Three Hours
▶ Size of Orders	Pallets	Eaches
▶ Information	48 hrs.	48 minutes
▶ Technology	Pick Tickets	Voice Pick

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Impact of E-Commerce



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▶ **Warehouse Design**

- Fewer loading doors
- Higher clear height
- More employee parking
- GPS, RFID, high speed sortation, sensors, Robotics

▶ **Workforce Evolution**

- Movement of retail worker to logistics worker beginning
- Logistics worker more productive per sales \$
- Highly trained “Supply Chain Technicians” in demand
- NSF National Center for Supply Chain Technology Education addressing issue

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▶ **Growth of the e-commerce market**

- US Department of Commerce: 2011 e-commerce sales grew 16.1% to \$194.3B in 2011
- Forester Research: e-commerce now makes up 6% of retail sales growing 10% annually to \$279B by 2015

▶ **Multi-Channel Fulfillment- Supply Chain Strategy Evolution**

- Smaller more frequent orders, less truckload volume
- Retail direct to residential doorstep skipping bricks & mortar
- “Click & Collect” orders sent to retailers for customer pick up

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Challenges to Modern Warehouse Operations



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Challenges

- ▶ Labor
 - Trained to handle technology
 - Willing to multi-task
 - Clerical personnel (PC/Communications Skills)
- ▶ Huge investments sophisticated equipment technologies
- ▶ Public perception and impact on Talent Attraction
- ▶ Regulatory environment, AQMD, NIMBY, development lawsuits, taxation, city code variations

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Competition from Panama Canal?

Cost vs. Time vs. Control vs. Reliability
All Water vs. Land Bridge

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Why is this important?

Jobs!

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How much \$\$\$\$ can I make with a Career in Logistics?

- ▶ Logistics Worker averages \$46,665
- ▶ High School Graduate can earn \$100k within 10 yrs.

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Questions????

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