Economic Development Planning, Summary 1

Title: Southwest Direct: Charting Arizona’s Future as the International Commercial and Business Hub of the Southwest

Year: 2012

Source: Arizona Chamber Foundation

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Prepared for: Arizona Chamber of Commerce and Industry

Length: 6 pages

Website: http://azchamber.com/assets/files/Foundation/Economic%20Development/Southwest%20Direct.pdf

Summary: Southwest Direct is designed to establish greater Phoenix as the business and commercial hub for the Southwestern United States and northern Mexico by more fully developing Phoenix Mesa Gateway Airport, particularly in the area of commercial air cargo.

Gateway, a former Air Force base in Mesa, has three runways long enough to accommodate almost all types of aircraft, including wide-body jets flying nonstop from Asia and Europe. Southwest Direct fits with the Arizona Commerce Authority’s targeting of aerospace and defense as one of four areas of emphases. As part of the effort, the Arizona Chamber of Commerce and Industry envisions the need for an Arizona Skill Standards/Career pathways initiative to generate a reliable supply of employees for jobs tied to Southwest Direct.
Sectors: Economic development, international trade, aviation, workforce development, healthcare/medical research, sustainable/renewable energy, regional/international intermodal transportation/logistics.

Geographic impact: Arizona, southwestern United States, northern Mexico, Asia and Europe.

Key actors: Arizona Chamber of Commerce and Industry, Arizona Commerce Authority, Governor’s Office and Legislature, Phoenix-Mesa Gateway Airport, Sky Harbor International Airport, Goodyear Airport, Arizona Manufacturers Council, Manufacturing Extension Partnership, Arizona Technology Council, Greater Phoenix Economic Council, East Valley Partnership, business community, Arizona Department of Transportation, Maricopa Association of Governments, Union Pacific Railroad, and the five community partners of Gateway: Mesa, Gilbert, Queen Creek, Gila River Indian Community and Phoenix.

Challenges: A technical analysis is needed to determine the potential market impact of developing Phoenix-Mesa Gateway Airport into an international cargo hub. Political and business leaders in Arizona will need to work together to turn the vision of creating an international hub in the Southwest into reality.

Similarly, a campaign to build grassroots support in Arizona for such an effort would be helpful. And it may be necessary to gain the support of regional business and political leaders. Ensure land around Gateway is zoned so that it is compatible with flights into the airport. Get early buy-in from manufacturers to ship cargo through the airport. If everything is a go, attract airlines that specialize in transporting cargo, including international carriers.

Progress to date: The Arizona Chamber of Commerce and Industry is waiting for the findings of a major cargo study that Phoenix is undertaking. The $637,614 study is examining the opportunities for cargo service at airports in greater Phoenix, specifically Sky Harbor International, Deer Valley, Goodyear and Phoenix-Mesa Gateway airports.
In addition, the study will assess the cargo operations of a select group of airports to gain an understanding of the cargo demand within a 500-mile radius of the Phoenix region, including Mexico. The Federal Aviation Administration Airport Improvement Program has provided a $307,500 grant to help with the study. The Arizona Chamber, under the leadership of former chairman Mark Dobbins, is working to secure business support across the state for the Arizona Skill Standards/Career pathways initiative, now known as the Arizona Manufacturing Partnership.

**Major implications:** Phoenix Mesa Gateway Airport is in a position to become a key part of Arizona’s economic foundation. In turn, Southwest Direct could serve as a statewide economic development strategy, generating thousands if not tens of thousands of jobs. Gateway supports more than 10,000 area jobs and puts $3.6 million into the local economy every day, according to a study of fiscal 2012-13 activity at the airport by Arizona State University’s W.P. Carey School of Business.

Some 50 companies at the airport employ 2,000 people. If greater Phoenix can be built into a Southwest hub for business and commerce, similar to what Atlanta is for the southeastern United States, the hub concept could be expanded to include such economic development endeavors as manufacturing research and development/logistics, healthcare and medical research, sustainable/renewable energy, and regional and international intermodal transportation/logistics. There also could be “in-sourcing” opportunities to bring foreign operations to the region.

**Opportunities for alignment:** Transforming greater Phoenix into the hub of the Southwest will require the wide support of Arizona’s business and political communities, as well as extensive planning and funding to support the construction of infrastructure at Gateway airport. The support of communities and airports across greater Phoenix would be pivotal.

**Background:** The recession hit Arizona hard, resulting in numerous layoffs, record numbers of home foreclosures and what amounts to the loss of nearly a decade’s worth of economic growth. It’s clear the state’s
traditional drivers of growth, real estate and tourism, are no longer enough. A new direction is needed, one that would move Arizona from being a player in the Southwest to becoming the center, or hub, of the Southwest’s business and commercial markets.

**Moving from vision to reality:** Phoenix-Mesa Gateway Airport is uniquely positioned to serve as the linchpin for transforming Arizona into the international commercial and business hub for the Southwestern U.S. The former Williams Air Force Base now operates as a commercial airport with a growing volume of passenger and cargo traffic. With three long runways (9,300 feet, 10,200 feet and 10,400 feet) that can serve most types of aircraft, Gateway offers tremendous potential for attracting both international cargo and passenger service.

The airport is located within a Foreign Trade Zone and a state-designated Military Reuse Zone, whose tax advantages would be enticing to companies in the manufacturing, logistics and import-export industries.

Easy access to highways and railroads is a characteristic of airports that handle high volumes of cargo. Gateway is located next to the Loop 202, which provides easy connections to Interstate 10 and Interstate 17. Mesa is speeding construction of Highway 24, which will circle much of the airport, and provide a connection to the 202. Construction of the proposed Interstate 11 in the West Valley to Las Vegas would speed traffic and also complete an important part of the CANAMEX corridor. A Union Pacific rail line passes near Gateway but further development of this line would be needed to serve the airport.

**Gathering community support:** There are important roles for numerous public and private stakeholders to play if Arizona is to become the Southwestern hub of the United States. Among these stakeholders are government officials, notably the mayors and leaders of those communities that make up Gateway’s airport authority. They need to build community support and solidify business support.

The Arizona Commerce Authority has identified aviation as a targeted growth sector, an area of importance also cited by regional economic development organizations because of the high number of aerospace-
related businesses in the state. These businesses and various companies that provide freight forwarding and warehousing services will help determine the success of Southwest Direct.

Given its size and impact (38 million passengers and nearly 240,000 tons of cargo in 2010) it is essential that Sky Harbor participate as a full partner in the development of Gateway Airport. Together, the airports can help Arizona become a center for national and international commerce.

In the end, the concept of Southwest Direct cannot be realized without the hard data proving that it will greatly benefit a cross-section of businesses. What’s needed is a study of market potential directed toward manufacturers and other businesses that currently ship their cargo through California and other parts of the United States, and airlines that could potentially serve Gateway.