Economic Development Planning, Summary 18

Unless otherwise noted, summaries represent findings and analyses by the listed source, not by Morrison Institute for Public Policy or Arizona State University.

Title: North America Next: North America Opportunities and the Sun Corridor

Year: 2009

Source: North American Center for Transborder Studies, Arizona State University

Author: North American Center for Transborder Studies, Arizona State University

Prepared for: Maricopa Association of Governments, Pima Association of Governments, and Central Arizona Association of Governments

Length: 69 pages


Summary: With the right decisions and planning, the Sun Corridor can become a booming international transport and business hub. The Sun Corridor should capitalize on the billions of dollars of freight shipments passing through Arizona to create the environment for construction of an inland port and international business hub. With these in place, the Sun Corridor can pursue ways to add value to freight stopping in Arizona and encourage the formation of distribution industries. Aerospace, pharmaceuticals, precision instruments, supply chain management, and renewable energy are among the industries in Arizona that offer the greatest potential for further growth, with manufacturing and other processes crossing county lines and the Mexican border.

Sectors: Economic development, manufacturing, renewable energy, international trade, transportation, logistics, demographics, and infrastructure

Geographic impact: Arizona, Mexico, western and central Canada, California and much of U.S.
**Key actors:** Maricopa Association of Governments, Pima Association of Governments, Central Arizona Association of Governments, Arizona Commerce Authority, Arizona Department of Transportation, Border Trade Alliance, Arizona governor and Legislature, the Governor’s CANAMEX Corridor Task Force, Arizona Mexico Commission, Arizona Sonora Manufacturing Initiative, Arizona State University, University of Arizona, Northern Arizona University, and Maricopa, Pinal, Gila and Pima counties, plus such cities as Phoenix, Tucson, Casa Grande and Nogales. Also, the Yuma, Nogales and Douglas Port Authorities.

**Major challenges:** Multijurisdictional planning, exponential population growth, transportation and traffic congestion, infrastructure improvements, sustaining quality of life (air, energy and water), the future of Smart Growth, and competition with other states or regions seeking similar jobs and companies, including southern California, Texas, Oregon, Washington and mainland Mexico.

**Progress to date:** A growing awareness among policymakers and the business community that joint planning efforts, large-scale infrastructure improvements, broad finance mechanisms, regional tax incentives and sustainable planning for residents are required to develop the Sun Corridor into a cohesive entity.

**Major implications:** The creation of an inland port and international business and transport hub will make the Sun Corridor more competitive, and bring more opportunities and prosperity to Arizona. Expansion of the renewable energy industry could lead to more high-tech manufacturing and establish the region as a global leader in renewable energy production and manufacturing.

**Opportunities for alignment:** Transportation (highways, railroads and airports), manufacturing, renewable energy

**Background:** The Sun Corridor’s most powerful asset and key to growth may be its transportation arteries and location, notably its proximity to California and three Mexican states, situation at the intersection of three interstate highways, two major railroad systems, connections to Pacific seaports, world-class airports, and an abundant supply of solar energy.

By working together on economic development, infrastructure and transportation, entities within the Sun Corridor (stretching from Phoenix to Tucson), are in a position to pursue four key economic opportunities. They are:

- Serving as a NAFTA (north-south) highway and Asia-Pacific (east-west land bridge). The Sun Corridor remains the corridor of choice for produce and products shipped from western Mexico, and headed for the western U.S. and western and central Canada. It also is the principal rail and trucking bridge for traffic coming to and from the Pacific seaports. The flow of freight can be expected to increase with expansion or development of Mexican seaports, notably Guaymas and the very expensive Punta Colonet.
• Serving as an inland port and “value chain” distribution center. Billions of dollars of goods pass through the Sun Corridor on their way to other parts of the country and nations. The creation of inter-modal ports provide an opportunity for Arizona to become the place where goods shipped into the sea ports at Los Angeles/Long Beach, Calif., for example, are sent on to Arizona, where they are unloaded from trucks and onto rail for further distribution, or goods are repackaged in Arizona for trucking to their destinations. This enables companies to avoid heavy congestion in Southern California.

• Growing industry clusters for the future. Aerospace, pharmaceuticals, precision instruments, supply chain management, and renewable energy are among the industries in Arizona that offer the greatest potential for further growth, with manufacturing and other processes crossing county lines and the Mexican border. The labor market in Sonora, Mexico, allows for efficient production of intricate and detailed products there, with the potential for Arizona to put the finishing touches on products from Mexico.

• Becoming a renewable, especially solar, energy hub. Solar power is a vast natural resource in Arizona. With so much energy consumed by vehicles, and renewable energy on the upswing, it makes sense for public officials to conceptualize how to apply solar energy to the transportation sector.

The bottom line
The Sun Corridor’s regional governance organizations – the Maricopa Association of Governments, the Pima Association of Governments, and the Central Arizona Association of Governments – should take advantage of international opportunities to bring broad benefits to Arizona and especially the growing megapolitan connecting Phoenix, Casa Grande and Tucson.

Growth of regionalism
As key regional organizations, the Maricopa Association of Governments, the Pima Association of Governments, and the Central Arizona Association of Governments have sought to work with similar groups to create new "trade corridors." Such Arizona groups as the Border Trade Alliance, the Yuma, Nogales, and Douglas Port Authorities, the Governor’s CANAMEX Corridor Task Force, Arizona Mexico Commission, Arizona Sonora Manufacturing Initiative, and the state’s three public universities – ASU, UA and NAU - have all encouraged state and federal governments to improve transportation and border infrastructure. The overall goal of all these groups is to create a competitive and industrious region.

Successful trade corridors are built less on geography than on the vision of entrepreneurial leaders who see ways to tap new technologies and strategies to move between gateways and are able to build coalitions among political and business leaders, and metropolitan, state and federal governments.

Challenges
Between now and 2030, the Sun Corridor is projected to grow faster than the Las Vegas, Northern New Mexico, Front Range (Denver), and Wasatch Front (Salt Lake City) regions. That rapid growth will put a strain on the Sun Corridor’s infrastructure, which is not expected to meet future demand.

Comprehensive planning on the part of Councils of Governments, among others, is required if the region is to keep pace with growth. It’s projected that 9.6 million people will live in Maricopa, Pima, and Pinal counties by 2030, up from 6.1 million in 2009. With this growth will come such potential problems as traffic congestion, outdated infrastructure, lowered environmental quality, outdated education systems, and inefficient energy/water use.

As the Sun Corridor deals with population-related issues, a broad set of international developments, including overseas manufacturing, expansion of seaports in Mexico and competition from the Panama Canal, will affect the global economy, and the Sun Corridor’s role in it.

Megaregions and megapolitans surrounding the Sun Corridor offer potential partnerships for prosperity, but also competition. Next door to Arizona is Southern California and its powerhouse economy built on huge exports, imports, industry clusters, advanced infrastructure (including three of the largest and deepest sea ports in the nation) and tens of millions of people. To the east is Texas whose massive economy boasts such well-developed industries as agriculture, oil and high tech. Texas serves as a major gateway for freight into the U.S. The northwestern states of Oregon and Washington are working to build an economic region that includes Canadian provinces. Despite government inefficiencies, Mexico’s economy continues to grow with new manufacturing companies, an expanding agriculture industry, the tapping of more natural resources, and development of its seaports.

The best option for the Sun Corridor is to create an environment that is attractive to shippers. Whether freight shipments through Arizona increase as a result of manufacturing in Mexico, busier ports in Mexico or California, or some other source, the Sun Corridor should strongly consider creating the environment for an inland port and international business hub.

**International transportation and business/research center**

With the projected growth of shipments from the Nogales, San Luis, and Douglas ports, and I-10 handling freight from Southern California’s ports, the Sun Corridor has the capability to develop as a strong inland port and the opportunity to develop advanced value-added industries.

These five locations are viewed as having the potential and momentum to grow as inland ports:

- Puerto Nuevo. This is a joint venture in Tucson offering a large amount of acreage with air-freight service and access to two interstate highways and a
rail line. The goal is to attract shipments for rehandling, processing and other value-added activities. A joint effort involving Tucson International Airport, Pima County, the city of Tucson, University of Arizona, and the regional economic development organization.

- Volunteer Mountain Industrial Park. A potential intermodal processing center, as well as a support facility for other industrial development, 12 miles west of Flagstaff.
- Kingman. An industrial park that BNSF is working with as a potential intermodal terminal. It already includes a major Wal-Mart distribution center.
- Mesa Gateway Airport. Envisioned as a freight and distribution center, though little freight is currently handled. Building passenger service and potential reliever airport for Sky Harbor International Airport.
- Yuma. Working to develop an inland port in conjunction with expanded San Luis port of entry and its airport, whose long runway is capable of processing larger cargo planes.

Rail shipments will move through the Sun Corridor with only modest value-added revenues unless the railroads find it in their interests to use inland sorting and repackaging ports set up in Arizona. Potential locations are the BNSF Grand Avenue site in Surprise, a proposed Union Pacific yard near Red Rock in Pinal County, and the rail terminal in Tucson.

In 2005, the railways sent 27.7 million tons of freight into Arizona, and Arizona sent only 3 million tons out. Shipments might be higher if such destinations as Los Angeles, Albuquerque and El Paso were more than 500 miles away, but they are close enough to make trucking more efficient.

In 2005, interstate rail freight passing through Arizona totaled more than 100 million tons. Interstate truck freight through Arizona totaled more than 234 million tons. California, New Mexico, Texas, Michigan, Illinois and Louisiana have the most freight shipped to, from and through Arizona. The billions of dollars of freight being shipped through central Arizona offer millions of tons of opportunities for businesses in Arizona. Innovative finance mechanisms will be needed to take advantage of these opportunities and also answer the huge demands for infrastructure.

**Conclusion**
The Sun Corridor should capitalize on the billions of dollars of freight shipments passing through Arizona to create the environment for an inland port and international business hub. With these in place, the Sun Corridor can pursue ways to add value to freight stopping in Arizona and encourage the formation of distribution industries.

A single city is not able to build and support the infrastructure for routes
connecting the Sun Corridor to other states and countries. It takes the support, cooperation and coordination of neighboring cities, and the joint planning efforts from the regional agencies within the Sun Corridor, to knit the three-county Sun Corridor into a cohesive entity. An inter-agency planning advisory council is advocated to implement some of the report’s recommendations.