

Supply Chain

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Long Beach Port Gets Green Light for Major Terminal Renovation Project

By Deborah Belgum Senior Editor

The **Port of Long Beach** is going full steam ahead on a \$750 million project that has been on the drawing board for nearly a decade.

After six hours of discussion, the Long Beach Board of Harbor Commissioners voted 5 to 0 on April 10 to approve the final environmental-impact report for the Middle Harbor Redevelopment Project.

The project will combine two aging terminals into one modern terminal where ships can plug in for power instead of running diesel engines that pollute the air. Also, more dockside loading of containers onto railroad cars will be available to reduce truck traffic.

With the ports of Long Beach and Los Angeles responsible for handling more than 40 percent of the ship cargo coming from Asia, it means good news for the apparel industry. On-time deliveries and efficient cargo systems are mandatory for manufacturers trying to avoid charge-back fees levied by retailers.

This is the fifth major project approved for the Los Angeles/Long Beach port complex in two years, after port officials were stymied for years by environmentalists' concerns that growth at the ports would mean dirtier air.

But in 2007, both ports approved the Clean Air Action Plan to bring in cleaner drayage trucks for cargo movement, which will reduce pollution around the docks.

The Middle Harbor Redevelopment Project, which will take 10 years to build and promises to provide employment for 14,000 people, is quite ambitious. It will nearly triple the cargo capacity in that area of the port, expanding capacity from 1 million 20-foot containers a year to 3 million containers, said



MERGING TERMINALS: The area outlined in white will be the final footprint of the Middle Harbor Redevelopment Project.

Long Beach spokesperson Art Wong.

To do that, it will reconfigure the two terminals that hold Piers D, E and F into one terminal that encompasses 345 acres, adding 51 acres by filling in slips. A major feature is the addition of 65,000 feet of railroad track, which will allow nearly one-third of all the cargo at the improved terminal to move by rail. Dredging will deepen the terminal, giving it an at least 50-foot depth to accommodate the larger cargo ships that carry more than 8,000 20-foot containers.

Business leaders lauded the project's job-creation benefit. Gary

Toebben, president and chief executive of the **Los Angeles Chamber of Commerce**, appeared at the commissioners' meeting to give his endorsement. "It is an outstanding proposal. It will double [or triple] the capacity of the Middle Harbor area and reduce emissions by 50 percent," he said. "There are 548,000 people unemployed in Los Angeles County today. That makes this project even more important."

But the project comes at a time when trade at the second-largest port in the area has nose-dived. In 2007, a peak number of containers arrived at the port. By 2008, cargo volumes had dipped 11 percent to 6.4 million containers. This year the situation has been exacerbated by the slowing U.S. economy, which has been in a recession since December 2007.

Maritime trade continues its steep decline, with cargo volumes in Long Beach taking a 32 percent dip during the first two months of 2009 compared with 2008. But port officials believe that when the project gets off the ground by the end of this year or early next year, the economy will begin to show signs of new life.

"Although cargo has dropped steeply in recent months, the port remains committed to financing several major infrastructure projects that are putting local construction and contracting firms to work. Our goal is to keep the port competitive when the economy rebounds and cargo returns," said Richard Steinke, the Long Beach port's executive director.

Toebben pointed out that these two terminals are 30 and 40 years old and need to be replaced. "If you start looking at infrastructure that is that old, and if you want to compete in the future and provide services to your customers, you have to upgrade your technology significantly," he said.

The final environmental-impact report for the Middle Harbor Redevelopment Project has been in the public venue since April 2 for public comment and input.

With the harbor commissioners' stamp of approval, the project has one more hurdle. It has to be approved by the Army Corps of Engineers, which is expected to do so next month.

While the Long Beach City Council does not need to vote on the project, an appeal could be filed with the city within 30 days objecting to the project.

But once reconfiguration starts, construction will be phased in to allow cargo operations to continue at the two terminals—the **Long Beach Terminal** and **California United Terminal**.

The Middle Harbor Redevelopment Project will employ a number of environmentally friendly steps that are starting to be the wave of the future for port development. For example:

- All container cargo ships at the terminal will plug into shore-side electricity and turn off their main and auxiliary engines for less air pollution.
- All cargo-handling equipment at the terminal will be the cleanest available.
- All trucks calling at the terminal will meet 2007 EPA standards.
- And rail-yard operations will use alternative fuels and cleaner equipment. ☞

Organic-Cotton Sales Still Strong

Sales of organic-cotton products within the apparel and home-textiles industries grew to \$3.2 billion in 2008, a 63 percent jump over the previous year's mark, according to the Lubbock, Texas-based **Organic Exchange**.

The report was based on global retail sales. The leading outlets were **Wal-Mart, Nike Inc., Swivel, Pottery Barn, Greensource, H&M, Zara, Coop Switzerland, C&A** in Belgium and **Hess Nature** from Germany.

Despite the gloomy global retail outlook, most brands and retailers selling organic-cotton products remain committed to their sustainability plans and upbeat about market growth, with plans to expand their product lines 24 percent and 33 percent in 2009 and 2010, respectively, to result in an estimated \$4 billion market in 2009 and a \$5.3 billion market in 2010.

"It is a sign of the times that, despite ominous financial forecasts, brands and retailers are standing fast to their commitment to making their product lines more sustainable by ever increasing their use of organic-cotton and other organic fibers such as wool, linen and silks," Organic Exchange Senior

Director LaRhea Pepper said.


The number of organic-cotton farmers worldwide increased 152 percent between 2007 and 2008, according to the organization. Certified organic-cotton fiber supplies grew by 95 percent, significantly higher than annual growth rates of 45 percent in 2006 and 53 percent in 2007.

"Farmers who planted on speculation or expanded without market partners may have shifted the market into a state of oversupply in 2009," explained Pepper, who strongly discouraged farmers from such a risk. "Brands may want to explore opportunities for expanding their organic programs with their business partners, as for the first time in many years supplies of organic fiber, yarns, and fabrics are more available than in previous years."

Organic production is based on a system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilizers or genetically modified seeds.

Pepper also announced that this year's global conference will take place in Seattle in October. For more information, visit www.organicexchange.org.—Robert McAllister

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SDI Industries, based in Pacoima, Calif., is a leading specialist in the provision of integrated materials handling solutions for retail, wholesale, fulfillment, and e-commerce distribution operations. Established in 1977, SDI Industries has more than 30 years experience in the apparel manufacturing and retail sector. Through innovation and increased efficiency, SDI designs solutions that improve productivity and accuracy while supporting sales growth and helping clients create a competitive edge. Services range from consultation, design, and building to installation, maintenance, and support. For more information, please contact Knathan@sdindustries.com or visit www.sdindustries.com.



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SDI's hanging garment sorter



Packers close out cartons filled by the flat sorter.

THE SDI SOLUTION

The Pacoima, Calif.-based integrated materials-handling company meets new challenges on the logistics front

When apparel companies get in a fix managing their logistics and warehousing needs, they often turn to SDI Industries Inc., a Pacoima, Calif.-based private company that has become a global leader in distribution center materials handling.

That's what Nike Inc. did after several attempts to streamline its massive 1.2 million-square-foot distribution center in Memphis, Tenn. After meeting with several consultants, one of whom advised building a new "Green Field" facility, Nike managers were left disappointed, but that turned when they were referred to SDI by the manager of the footwear giant's Orange County licensed apparel distribution center. SDI's engineers figured out a way to combine the distribution of all of its units—wholesale, Nike retail and dot.com—within the existing distribution center footprint. The plan is projected to eliminate nine steps in the process for a projected growth rate of 40 percent.

Such a scenario is fairly typical for SDI, which has been around since 1977. The company was born in the retail industry as an engineering consultant, originally servicing apparel manufacturers in the Los Angeles area. It has grown its product and service offerings to include materials-handling consulting, design, engineering, fabrication, installation, integration and maintenance services. It serves retail, wholesale, fulfillment and e-commerce industries.

SDI is probably best known for its garments-on-hangers, sorting and conveyor systems, which enable distributors to automate the pack-and-ship process.

Over the years, executives at SDI, which includes Chief Executive Officer Mary Adams, have seen the distribution model shift to offshore sourcing as well as the growth of e-commerce. It has adapted to the changes.

"Retailers used to do store allocation in their distribution centers," explains Executive Vice President Krish Nathan. "A T-shirt maker, for example, would ship to a retailer. That retailer would send the products to various stores. Retailers have been pushing that activity and hard work upstream to their vendors. They're saying, 'I want it packed and ready for my stores so that it can be cross docked through the distribution center to the store.' It's a huge trend. That's one of the areas we've been able to help. We understand the retail business."

The company is set up to serve companies such as Nike as well as smaller operations like those for Pasadena, Calif.-based start-up MyShape.com and Los Angeles-based Ed Hardy. Other clients include Byer of California, BCBG Max Azria and Loehmann's.

With the recent downturn in the economy, SDI has adapted to the cramp on capital outlays for heavy equipment and hardware and software systems.

"Retailers [and wholesalers] are trying to gain margin. They are selling less product, so they have to get more efficient," Nathan says.

One way is to get more out of less. That has seen SDI do more retrofits.

"We maximize volume and throughput within the existing four walls," he said. "It's helping our customers to save money."

Mary Adams adds, "Two years ago, SDI started up its maintenance division to better serve our existing client base. The division is growing rapidly in this economic environment in part because maintenance and refurbishment can significantly extend the life of existing equipment, further reducing capital expenditure requirements."

SDI's line includes an automated flat sorter, which was designed for apparel, accessories and other items. The system is aimed at store distribution and order-fulfillment needs and can drop garments in boxes automatically to minimize packaging labor costs. The automatic sortation systems also increase accuracy, reducing dreaded charge-backs. The system can work in tight spaces and be stacked as well. The company also develops tilt-tray sorters, designed for boxes and packaged goods, and hang sorters, which can sort up to 10,000 garments on hanger per hour. The system

can also be equipped with RF [radio frequency]-enabled tracking devices to direct garments to specific locations within a distribution center.

SDI manufactures its own systems in Pacoima. It has developed several technologies to improve the industry. One is a poly-tube power system for its garment-hanger transports. The technology has helped to speed up the number of garment units delivered as well as decrease costs due to the elimination of maintenance required for more-traditional systems and the need for trolleys to transport hanging garments. The company has eight patent-pending inventions.

SDI is also diversified around the globe with operations in Europe (the United Kingdom, Spain, Netherlands, France, Germany and Italy), Latin America (Brazil, Chile and Mexico) and

Australia. It has been able to leverage the synergies between various operations to help each unit.

"Europeans, for example, have been forced to develop a high level of automation because of the characteristics of the market. We have been able to use the relationship and import that technology where appropriate," Nathan says. "It also works the other way. In the United States, a retailer with 200 units is fairly commonplace. In the United Kingdom, that's considered one of their bigger retailers. We are used to working with the bigger stores and distributors here and can lend that expertise elsewhere."

The current marketplace has not excluded SDI from challenges, but the company has been able to tap into the growth of retail and wholesale businesses such as Ed Hardy and others. In addition, Nathan sees plenty of opportunities to help companies still in a manual or semi-automatic mode of operation.

"Companies generally don't think about distribution activity as a way of enhancing margins," Nathan says. "We're able to give them a little more savings, which eventually drops to the bottom line."

"We maximize volume and throughput within the existing four walls. It's helping our customers save money."

—Krish Nathan, Executive Vice President, SDI Industries Inc.

Thinking Outside the Box

Partnering with the right companies and homing in on prudent logistics strategies will help companies survive the current down cycle and prepare themselves to get a jump when it turns up, said supply chain executives speaking at the 4th **SDI Industries Logistics & Supply Chain Forum**, held April 2-3 at **The Venetian** in Las Vegas.

Speakers included logistics leaders from **Nike Inc.**, **Loehmann's**, **NYK Logistics Inc.** and others, who joined visiting executives from **Nordstrom**, **Sears**, **JCPenney**, **Byer California**, **Baby Phat Clothing**, **Levi Strauss & Co.** and **Hot Topic**, among others, to discuss topics such as globalization, cost savings, reverse logistics and operational improvements.

Pacoima, Calif.-based logistics provider **SDI Industries Inc.** hosted the event, which was sponsored by **Intelligrated**, **SICK Sensors**, **Green & Associates** and **CSIS Inc.**

As import activity remains sluggish and expenses remain high, visiting warehouse managers and logistics officers were looking to the conference to improve efficiencies in order to improve their shrinking bottom lines.

Anthony Chiarello, chief operating officer for NYK and a former **Maersk** executive, said it's important to make the right decisions and avoid isolationist approaches.

"It's about cost control and partnering with those that are knowledgeable," he said. "Supply chain management is like a team sport."

According to Chiarello, some companies are realizing cost savings by shifting sourcing to safeguard themselves from complications arising in Asia, where costs have been rising and liability concerns heightening.

Target has been among those companies testing Central America as an alternative to China, Chiarello said. The region will become more attractive, as capacity in the Panama Canal is expected to more than double over the next seven years, he projected. The canal is in the midst of a major expansion project that is expected to be completed by 2014.

In painting a picture of the current situation, Chiarello said not everyone will survive. He predicted that at least one major ocean carrier will end up as a casualty this year. In Singapore, there are currently 250 ships carrying no cargo.

"It's unprecedented that this is happening. We have not found the bottom yet," he warned.

He said the key to survival will be to become more customer-centric.

"You have to throw some ideas on the board and engage the customer," he said.

James DeVeau, an executive vice president with **Summit Logistics International**, warned against making costly mistakes when aligning with business partners or consultants. He presented several case studies that showed how companies lost thousands of dollars by hiring the wrong consultants.

"They would pay all this money to tell us something my daughter could figure out in 10 minutes," he said.

"Find somebody who has walked in your shoes. Get a public decision to support your decision," he said.

William B. Thayer, senior vice president of information technology and logistics for retailer **Loehmann's**, showed how the company



SDI Industries Inc. CEO Mary Adams and Executive VP Krish Nathan toast another successful forum.

reduced overhead costs by automating its 400,000-square-foot distribution center in Rutherford, N.J.

Thayer admitted the company took a leap of faith when it installed SDI systems in 2004 and 2006. "At first, we didn't think automation was going to work," he said. "Our capital was directed toward expanding storage space."

The company eventually committed to investing in a hanging sorter system in 2004 and a flat sorter system in 2005. It also installed a warehouse software system provided by SDI's RTI unit.

The initial result was a reduction of 40 FTEs (full-time equivalents), which is comparable to the salaries of 40 full-time employees. Thayer said that prior to installation, workers would have to spend about half the year working on weekends. With the automated systems in place, that number was

reduced to five to seven days.

"The workers would usually be in the packing area all day long. Now it's flexible. It's allowed us to handle our priorities better. It's been dramatic," Thayer said. In addition, the software system has created a paperless environment in the warehouse. **Loehmann's** capacity has been stretched to be able to deliver up to 10,000 units per day.

Adding a new station last year has also improved shipping to high-volume locations. The retailer plans on adding a new California store this fall.

Nike Inc. hopes to realize even better savings following the implementation of its logistics plan with SDI. Linda Reynolds, general manager of the company's 1.2 million-square-foot distribution center in Tennessee, concluded the conference with a case review of the sport and fitness company's dilemma.

Nike's growth from its retail operations as well as its e-commerce and wholesale business was projected to create a giant bottleneck in 2011. This would overwhelm its Memphis facilities, which includes a second warehouse near its main facility. Consultants advised to retrofit the facility, which would take three years. Another advised building a new facility. Reynolds and Nike brass didn't like those ideas. Reynolds said it seemed like the more people that touched the project, the more complicated it became.

"We finally said to ourselves, 'Think Henry Ford and keep it simple,'" she said.

Matt Ross, director of Nike's licensed apparel facility in Foothill Ranch, Calif., referred Reynolds to SDI, which had installed a system for Nike in Orange County. SDI and Nike engineers saw that there were duplicate processes occurring involving e-commerce and wholesale orders. A multi-phase plan was drafted to combine the multiple channels of distribution under one operation. Nike said the plan should eliminate nine processes and significantly improve the facilities' output.



SDI Industries Logistics & Supply Chain Forum 2009

“The SDI forum provides a great venue for networking with leaders from other companies who share similar challenges; exchange ideas and possible solutions; and learn how to better utilize technology, or other means, to improve the overall performance of our operations.”

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SDI Industries has created one of the most valuable logistics forums in the industry. Every year the attendees include the world's leading retailers and supply chain executives. ... It's truly a remarkable event.



Brian Wehner • Director of Retail Logistics • Levi Strauss & Co.

SDI has personnel with an in-depth knowledge of all aspects of today's material-handling equipment and systems to assist customers in building a "world class" operation. The forum held each year provides an opportunity to meet with peers and experts in logistics to discuss current events and new technology within the supply chain.



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Mark Swanson • Director of Operations • OnlineShoes.com

After attending the SDI Logistics and Supply Chain Forum for the last four years, I continue to be impressed not only with the topics discussed but also with the world view of many of the attendees. I look forward to attending the forum every year.

LOEHMANN'S

Bill Thayer • Senior VP, Information Technology/Logistics • Loehmann's

The SDI forum was an enlightening experience because of the diversity of logistical and operations executives gathered from around the world in one meeting. The ability to exchange ideas and share issues with such a group was a rare opportunity. As a world leader in distribution and fulfillment engineering, SDI should be commended for coordinating and sponsoring this one-of-a-kind event.



Richard Clayton • CFO • MyShape.com

The SDI forum is the one industry show each year that I will not miss. The industry knowledge at the forum, from both SDI and the attendees, is second to none and a valuable learning tool."



Matt Ross • Director of Operations • Nike

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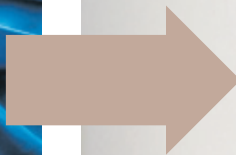
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