

GulfShipper

August 13, 2007

Kansas City becoming important rail hub

By Bill Mongeluzzo

During the railroad boom of the 19th century, cattlemen and farmers on the Great Plains looked to Kansas City as their gateway to the eastern United States.

Today, Kansas City is a hot spot of railroad activity again; this time; however, international freight is driving the growth.

Kansas City Southern Railway, a north-south carrier in the Mexico-U.S.-Canada corridor, and BNSF Railway, an east-west carrier of Asian imports moving through West Coast ports, have chosen Kansas City as a location for rail logistics parks.

The development of intermodal rail logistics parks in recent years turned Chicago and Dallas-Fort Worth into vibrant inland ports for international freight. Retailers and large importers built distribution centers near Chicago and Dallas to process containerized imports for distribution in the Midwest and Southwest.

Railroads are turning their attention to secondary hubs, and Kansas City is the current object of their attention.

KCS and CenterPoint Properties, an industrial real estate company, in July announced a partnership to develop a former Air Force base in south Kansas City into a 1,300-acre rail logistics hub. Late last year, BNSF and industrial real estate developer Allen Group

announced plans to build a 1,000-acre logistics park in Gardner, Kan., a short distance from Kansas City.

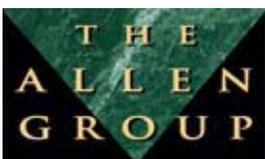
Several national retailers already have regional domestic distribution centers in the area, said Chris Gutierrez, president of Kansas City SmartPort Inc. The KCS and BNSF projects are significant because they will link Kansas City via rail to international gateways such as Los Angeles-Long Beach and Lazaro Cardenas, Mexico, giving Kansas City a tool for attracting import distribution facilities.

U.S. Customs and Border Protection has an operation in Kansas City, so cargo can move there in-bond from seaports and be cleared at the inland port. Designation of the area as a foreign trade zone further enhances Kansas City's potential for attracting international cargo.

Building on the success of its Chicago-area developments, CenterPoint was ready to take the rail logistics hub concept to other emerging markets, said Fred Reynolds, senior vice president of development. Kansas City offers the multimodal transportation options that importers seek in a logistics park intermodal rail links to international gateways and a large consumer and production base within a day's truck haul, he said.

Shortening the truck haul from an import distribution center to regional distribution

www.allengroup.com



centers and stores is an important consideration in the business plan of retailers and importers, Reynolds said. Rising fuel costs have hurt the economics of long-haul trucking. The trucking industry also is struggling with a driver shortage.

Completing a trip in one day addresses drivers' hours-of-service limitations as well as their desire to return home at night.

Kansas City is an important hub for BNSF and KCS.

"It's at the northern end of our system," said Warren K. Erdman, senior vice president of corporate affairs at KCS. Domestically, KCS's network stretches from the Gulf of Mexico to Kansas City. KCS also offers direct service from Lazaro Cardenas, on Mexico's west coast, to the Texas border.

KCS is already the major North American Free Trade Agreement rail carrier for cargo moving between Mexico and the U.S., and it carries some interline cargo from Canada. KCS is banking on its operation in Lazaro Cardenas to make it a major player in the Asian import trade.

With U.S. West Coast ports facing future capacity constraints, shipping lines and marine terminal operators are looking to ports in Mexico and Canada as trans-Pacific gateways. Prince Rupert, British Columbia, will open this fall and will become a gateway to the U.S. Midwest.

Kansas City is an important hub for BNSF's services from West Coast ports. Its Transcon line from Los Angeles-Long Beach to Chicago is BNSF's busiest intermodal corridor. Kansas City was therefore a logical choice for the railroad's third logistics hub. BNSF pioneered the intermodal rail logistics park concept in Dallas and then followed with its Chicago-area hub.

Kansas City is within a 300-mile drive of major population and production centers in the middle of the U.S., providing access to the country's midsection that might be out of reach from Chicago and Dallas, said Vann Cunningham, assistant vice president of economic development at BNSF.

Cunningham sees Kansas City as the first of a number of secondary inland hubs that railroads will develop as the rail logistics markets in Chicago and Dallas are built out. Victorville, Calif., Memphis and locations in Ohio and Indiana are also logical choices for rail logistics hubs, he said.