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Inland intermodal hub trend driven by numerous factors

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Driven by port-area congestion, high energy and drayage costs, US heartland labor availability and other factors, the trend toward inland intermodal cargo hubs close to the nation's geographic center is accelerating.

Nowhere is this trend more evident than the Kansas City area, which not only provides a central location between East and West coasts but also is situated in the middle of increasingly important north-south rail links.

"There seem to be a lot of synergies for us right now, said Chris Gutierrez, president of Kansas City SmartPort, a not-for-profit arm of the Kansas City Area Development Council focusing upon growing the area's role as a cutting-edge, high-tech inland cargo hub.

Indeed, Kansas City has a long history as a transportation locus, dating back to its days as a nineteenth-century trading post and site of the first permanent rail crossing over the Missouri River, with the construction in the 1860s of the Hannibal Bridge.

Rail continues to be a key component in the commercial role of Kansas City, which is served by five major railroads and is the leading US rail hub in terms of annual cargo tonnage. It also is situated at the convergence of three interstate highways – east-west I-70 and north-south I-29 and I-35 – soon to be joined by another north-south corridor, I-49, and has more than 10,000 acres of foreign-trade zone space.

For shippers not wanting to depend upon a single seaport for entry into the US market, Kansas City affords ready rail connections to US Atlantic, Pacific

and Gulf coasts, as well as to emerging non-US ports, such as those of Prince Rupert, British Columbia, and Lazaro Cardenas, on Mexico's Pacific coast.

"It's really starting to resonate as people think about spreading out risk," Gutierrez commented, adding that cargo containers entering Kansas City by rail from any number of directions can be then delivered by truck to more than half the US population within a day.

Developers of intermodal logistics parks and distribution centers clearly are concurring with Gutierrez, speculatively building sprawling facilities along rail and roadway corridors in the Kansas City area.

Oak Brook, IL-based CenterPoint Properties, which in 2002 opened the first phase of a 2,200-acre intermodal center at the former Juliet Arsenal site in Elwood, IL, is a leader in the Kansas City initiative. Like that Illinois site, which features an expansive Burlington Northern Santa Fe Railway intermodal yard, CenterPoint's Kansas City project is looking to rail as a crucial element.

CenterPoint is partnering with the Kansas City Southern Railway Co. to develop a 1,300-acre intermodal logistics park at a south Kansas City, MO, site, the majority of which was a US Air Force base.

"Everyone's realizing the benefits of rail," said Fred Reynolds, CenterPoint's senior vice president of development, who noted that inland rail movements have far lower energy costs than those by truck. The

KCS main line that serves the property links the site to Lazaro Cardenas.

Matthew Tramel, CenterPoint's manager of corporate affairs and marketing, commented, "The traffic congestion on the West Coast ports is driving a lot of this sea change about where you might locate some of these facilities."

William F. Crandall, president of The Allen Group-Kansas City, whose firm is developing a 1,000-acre logistics park in conjunction with the BNSF some 25 miles south of Kansas City, said the adjacency to rail facilities can lead to shipper savings in drayage expenses so significant that they may even offset the cost of distribution center rental.

Of the central US location of logistics parks, Crandall said, "It's almost solely a result of the consumer buying patterns, which are dependent on products made in the Pacific Rim. The most cost-efficient way to ship these products inland is by rail to the Midwest."

The Allen Group also is developing the Dallas Logistics Hub, adjacent to the Union Pacific Railroad's Southern Dallas Intermodal Terminal, a potential BNSF intermodal facility, four major highways and an airport. At 6,000 acres, the Texas project is being billed as the largest new logistics park project in North America.

David C. Hinchman, first vice president in the Kansas City office of CB Richard Ellis Industrial Properties, whose firm is marketing on behalf of speculative developer Trannell Crow Co. the 800-acre KCI Intermodal Business Centre adjacent to Kansas City International Airport, said of his hometown, "We're right in the center of everything, we have excellent labor and people really like being in Kansas City."

Hinchman noted that, while in the 1990s, logistics hub development was burgeoning in such markets at Memphis and Indianapolis, attention now is increasingly shifting to Kansas City.

"It's a combination of many factors that are coming together," Hinchman said, citing congestion in other

markets, Kansas City's superb highway and rail infrastructures and changes in trucking regulations that are further limiting continuous road hours for drivers. Containers moved by rail also are not subject to highway weight limitations.

Companies that recently have built major distribution centers in the Kansas City area include Anaheim, CA-based Pacific Sunwear (with a 400,000-square-foot facility already slated for a doubling in capacity), Medford, OR-based Musician's Friend, Inc. (with a 700,000-square-foot facility soon to expand to one million square feet) and Dallas-based Kimberly-Clark Corp. (with a 500,000-square-foot regional distribution center).

Of course, Kansas City is by no means the only place where inland intermodal hubs are being developed, nor is the concept entirely new. Some two decades ago, port authorities such as those in North Carolina and Virginia developed intermodal facilities a couple hundred miles inland from their busy containerports.

Will Friedman, a former executive director of the Ports of Indiana who now serves as vice president for leasing and supply chain for Indianapolis-based Duke Realty Corp., said he sees the trend toward inland ports as just beginning.

"It is hard to find land close to ports," Friedman said. "And, if land is available close to ports, it will cost more than land at an inland location."

Friedman, whose firm is engaged as master developer of the Rickenbacker Global Logistics Park on a former US Air Force base property in Columbus, Ohio, said the combination of on-dock rail capability at a seaport with the ability to run mile-long stack trains to an inland rail facility can make for "a pretty attractive package."

The Columbus logistics park, some 600 miles inland from Norfolk, expects to benefit from the Norfolk Southern Corp.'s recently commenced Heartland Corridor project to raise tunnel roofs to accommodate double-stack trains.

So long as shippers continue to look to rail as a primary inland transportation solution, inland intermodal facilities and distribution centers should continue to flourish, saving shippers (and ultimately consumers) money while relieving coastal congestion and generating jobs in America's heartland.

