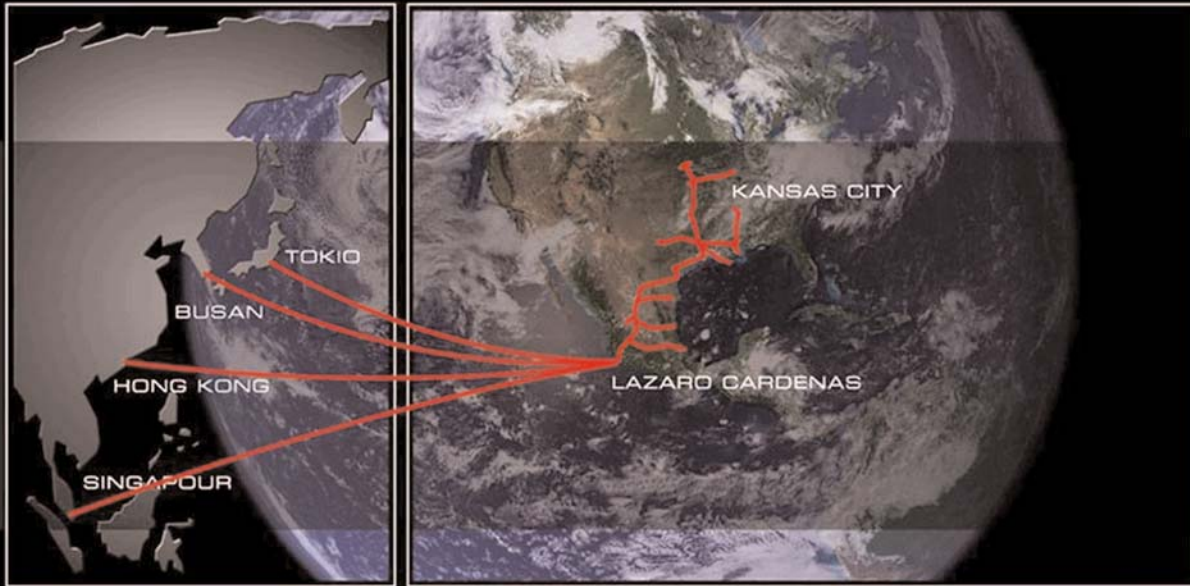


## TWO WORLDS... ONE ROUTE



# Lazaro Cardenas-Kansas City Transportation Corridor Offers Opportunities for International Shippers;

**GREATER ECONOMIC PROSPERITY FOR NORTH AMERICA**

For those who live in Kansas City, the idea of receiving containers nonstop from the Far East by way of Mexico may sound unlikely, but later this month that seemingly far-fetched notion will become a reality.

Thanks to the evolving trade corridor between Lazaro Cardenas in the State of Michoacan, Mexico and Kansas City, Missouri, USA, cities and towns from the Mexican coast through the middle of America will soon benefit from greater participation in Asian-North American trade.

### Lazaro Cardenas-Kansas City Corridor Offers Faster Asian-North American Trade

The Lazaro Cardenas-Kansas City Corridor refers to a trade route linking Kansas City to key Asia-Pacific markets via a ships-to-rail terminal at the port of Lazaro Cardenas in the State of Michoacan, Mexico. Thanks to an innovative series of international agreements, infrastructure improvements and new technologies, this corridor is a reality.

As the American economy expands and the economies of the Far East ramp up production to meet our demand for goods, the pace of international trade will exceed the ability of major West Coast ports such as Long Beach and Los Angeles to accommodate the flow of goods into the United States.

Additionally, congestion in these highly populated areas will prevent expansion of intermodal transportation facilities, straining the already overburdened rails and roads linking California to Chicago and the rest of the nation.

The United States imported more than \$941 billion from APEC countries in 2004, and that number is only expected to accelerate as the American economy grows and demand for high-quality, low-cost goods increases.

### **U.S. Imports for Consumption from APEC Nations, 2004**

(in 1,000s of Dollars)

<b>Country</b>	<b>Imports</b>
Canada	255,660,079
China	196,159,513
Mexico	154,958,771
Japan	129,534,698
Korea	45,064,177
Taiwan	34,461,963
Malaysia	28,070,070
Thailand	17,509,812
Singapore	14,848,243
Russia	11,636,955
Indonesia	10,778,296
Hong Kong	9,241,068
Philippines	9,144,222
Australia	7,563,612
Vietnam	5,161,066
All Others	12,002,085
<b>Total</b>	<b>941,794,629</b>

Source: Data compiled from tariff and trade data from the U.S. Department of Commerce, U.S. Treasury and the U.S. International Trade Commission.

In 2004, nearly \$220 billion in cargo passed through the ports of Long Beach and Los Angeles alone.

The Port Authority of Long Beach estimates that if aggressive trade projections hold, by the year 2020, the port will have to develop additional freight handling facilities, requiring more than 450 acres of landfill, a move that could prove to be cost-prohibitive and face serious opposition from environmental groups and other stakeholders.

The threat of future terror attacks, natural disasters or labor strife spotlights the need for redundancies in the system to ensure alternate routes for cargo traffic in the event of unforeseen emergencies.

The Lazaro Cardenas-Kansas City corridor will offer much-needed capacity to meet forecasted growth and enhance the overall security of international trade in the years to come.

### **Decade of New Developments Leads to Creation of Lazaro Cardenas-Kansas City Corridor**

In the past decade, a number of new developments have contributed to making the Lazaro Cardenas-Kansas City Corridor a reality. Most notably, the Mexican government has taken aggressive steps toward privatizing its infrastructure and promoting business-friendly partnerships to enhance international trade.

In 1995, the decision was made to decentralize and partially privatize the nation's seaport operations, creating the possibility for 100-percent foreign investment in terminal ownership and up to 49-percent foreign investment in each port's Administracion Portuaria Integral (API or Integrated Port Authority).



This new ruling has attracted billions of dollars in new infrastructure investment, including development at Lazaro Cardenas, in Michoacan, where Hong Kong-based Hutchison Port Holdings, Ltd., the world's largest developer and operator of deepwater ports, is in the midst of a 20-year, US\$290 million program that will expand the existing terminal to include a 1,481-meter (4,887-foot) berth, and a channel 18 meters (59 feet) deep capable of accommodating four ultra large container vessels (ULCVs) simultaneously.

Plans also call for the expansion of the current 15-hectare (37.5 acre) shipyard to 102 hectares (255 acres) with a static capacity of more than 70,000 TEUs (twenty-foot equivalent units) and dynamic capacity of more than 2 million TEUs, and employing upwards of 2,900 workers.

The three largest shipping companies, CP Ships, APL and Maersk Sealand already have regularly scheduled service into Lazaro Cardenas. Earlier



this year, the State of Michoacan donated a 180-acre tract of land located adjacent to the Port of Lazaro Cardenas for the purpose of developing an industrial park to ensure orderly future development at the port.

In 1997, the government-owned Ferrocarriles Nacionales de Mexico (FNM) privatized the first of its regional railroads, the Northeast Railway, and Kansas City Southern teamed with Transportacion Maritima Mexicana (TMM) to create Transportacion Ferroviaria Mexicana (TFM).



This partnership paved the way for a ships-to-rail transportation system connecting the North American interior to the Pacific Rim, establishing an alternative trade route for shippers seeking to avoid the West Coast bottleneck.

In 2002, Mexico hosted the APEC Summit and subsequently launched a new program, the Trans-Pacific Multimodal Security System (TPMSS). This program has created greater transportation infrastructure capacity, more cooperative customs processes and greater security along the entire supply chain, thus facilitating greater economic growth along what has become the Lazaro Cardenas-Kansas City Corridor.

Security is a primary component in the TPMSS, which includes four major security programs: the Business Anti-Smuggling and Security Coalition (BASC), Container Security Initiative (CSI), the

U.S.-Mexico Smart Border plan and the U.S. Customs Trade Partnership Against Terror.

While all four programs are focused on reducing the threat of terror and smuggling of contraband into North America, all have been designed to Intelligent Transportation Systems (ITS) and best practices to ensure that security does not unduly slow the transport of goods to their destinations.

## Security Screening a Primary Concern for Intermodal Shipments

Shipments will be pre-screened in Southeast Asia and the shipper will send advance notification to Mexican and American Customs with the corresponding “pre-clearance” information on the cargo.

Upon arrival in Mexico, containers will pass through multiple X-ray and gamma ray screenings, allowing any containers with anomalies to quickly be removed for further inspection.

Container shipments will be tracked using intelligent transportation systems (ITS) that could include global positioning systems (GPS) or radio frequency identification systems (RFID) and monitored by the ITS on their way to inland trade-processing centers in Kansas City and elsewhere in the United States.

## The Kansas City Connection

In March 2005, Kansas City signed a cooperative pact with representatives from the Mexican State of Michoacan and representatives from Lazaro Cardenas to increase cargo volume between the two cities.

Until recently, moving containers through Mexico wasn't a competitive option for shippers, as Mexican customs charged a “through bond” of up to \$100,000 per-container for shipments passing through Mexican territory. The new rules allow shippers to move as many containers as they like for a single \$55,000 bond. These savings could make shipping containers through Lazaro Cardenas up to 15 percent less expensive than through Long Beach or Los Angeles.

Kansas City offers the opportunity for sealed cargo containers to travel to Mexican port cities such as Lazaro Cardenas with virtually no border delays. It will streamline shipments from Asia and cut the time and labor costs associated with shipping through the congested ports on the West Coast.

In April 2005, Kansas City Southern completed purchase of a controlling interest in Transportacion Ferroviaria Mexicana (TFM), enabling TFM, The Kansas City Southern Railway and The Texas Mexican Railway Company to operate under common leadership, creating a seamless transportation system spanning the heart of North America known as “The Nafta Railway.”

The acquisition created a single 1,300-mile railroad connecting the Midwestern United States, central Mexico and Mexico's Pacific seaports.



The union of the three railroads will spur even greater investment in cross-border transportation infrastructure, implementation of advanced cargo tracing and tracking systems, and improved security.

Kansas City Southern is installing Spanish language versions of its computer operating system (MCS) in an effort to increase train speeds, reduce waiting times at terminals and enable the free flow of locomotives and rail cars between the United States and Mexico via Kansas City Southern's railroad bridge at Laredo, Texas.

## The Lazaro Cardenas-Kansas City Corridor Offers Prosperity All Along the Way

The rail corridor also connects the major industrial centers of San Luis Potosi and Monterrey to the rest of the world.

San Luis Potosi is located in the geographical center of Mexico and is equidistant from Lazaro Cardenas and the Gulf of Mexico port of Veracruz, making it a strategic rail center for cargo traveling east-to-west or west-to-east. Monterrey, a city of 4.5 million people, is the industrial capital of Mexico, operational home to TFM and serves as a main distribution hub for manufactured goods throughout Mexico.



### Expanding U.S.-Mexican Trade

The Lazaro Cardenas-Kansas City Corridor will also spur greater trade between Mexico and the United States. Since 1997, American exports to Mexico have increased by 55.2 percent to \$110.8 billion, while imports have grown 44.8 percent to \$155.8 billion. This trading partnership will only benefit and grow as a result of the new trade route, benefiting the economies of cities and towns along the way.

**Kansas City SmartPort, Inc.**, is a non-profit organization dedicated to transforming the Kansas City region from an historic trade hub to a cutting-edge, high-tech inland port. Its goals are to grow the transportation and logistics industry; to make it cheaper, faster and safer for importers and exporters to move their goods; and to improve access to international markets for all businesses. Kansas City SmartPort, which promotes the bi-state area's transportation assets under the banner of "America's Inland Port Solution," is supported by dozens of area companies, communities and trade-related organizations in the Kansas City region. For more information about The Lazaro Cardenas-Kansas City Corridor or Kansas City SmartPort, visit their Web site at [www.kcsmartport.com](http://www.kcsmartport.com)

Captions for photos:

1. The Port of Lazaro Cardenas on Mexico's Pacific Coast is in the midst of a \$290 million expansion that will expand its capacity to more than 2 million TEUs per year.
2. The world's three largest shipping companies already offer regularly scheduled service at Lazaro Cardenas.
3. In 1997, Kansas City Southern and TMM joined forces to create Transportacion Ferroviaria Mexicana (TFM), paving the way for what is now known as "The Nafta Railway."
4. A single 1,300-mile railroad, under common management, seamlessly connects Mexican seaports to the central United States.
5. This is the sole railroad bridge connecting the United States with Mexico at Laredo, Texas.

