

**Developing Intermodal
Facilities in the Mid-
Continent International
Trade Corridor:**

**Lessons Learned and
Directions for Winnipeg**

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EXECUTIVE SUMMARY

The cities of the Mid-Continent International Trade Corridor (MCITC) have recognized their mutual interest and complementary trade relationship. Each jurisdiction is developing its transportation infrastructure with respect to enhancing north-south trade. The co-location of transportation modes has become identified as a key economic development opportunity. The two highly successful intermodal transport experiments at Huntsville, Alabama and Fort Worth, Texas have encouraged adaptations of International Trade Processing Centers (ITPC) in Monterrey, Mexico as well as efforts at San Antonio, Kansas City and Minneapolis-St. Paul. Winnipeg, Manitoba has an opportunity to capitalize on its location as a northern Gateway to the MCITC by developing a multi-user intermodal ITPC to serve the north-south trade between Canada, the United States and Mexico.

A slower pace of economic growth can sometimes be an advantage. By foresighted management, the City of Winnipeg, the Rural Municipality of Rosser, and the Province of Manitoba have retained 24-hour operations for Winnipeg's airport, and 2000 hectares (5000 acres) of developable land within the immediate access area of the urban core. Although the Winnport effort has proved unsustainable to date, the logic of the idea is still sound. Its problem was one of implementation, rather than strategic direction. The purpose of this report is to examine the experiences of other cities in the MCITC to obtain insights on the factors of successful ITPC development.

Report Organization

This report is an explanatory examination of recent efforts to develop ITPCs at Kansas City, San Antonio and Minneapolis-St. Paul. The process is explored in depth for Kansas City, while the treatment of San Antonio and Minneapolis-St. Paul is sketched in less detail. Significantly more documentation is available for Kansas City than for the other two cities. Further, if each section contained similar detail, there would be a great deal of repetition across the sections.

Kansas City ITPC

Interest in an international trade processing centre at Kansas City developed from the desire of Kansas City Southern (KCS) Railway and the business community to maintain and expand its truck/train traffic. Kansas City is the second largest truck/train hub in the United States. The KCS has marketing agreements with the CN-IC, the CP-Soo Line and the BNSF for traffic to Mexico via its ownership interest in the TFM.

The key components of the Kansas City ITPC Study are twofold. First, a fully-fledged trade processing system, based around virtual technologies, is required for Kansas City to attract international trade. Second, the business community must be educated in the ways of international trade for it to take advantage of the presence of such a facility.

Identification of the needs of the business community with respect to international trade is required prior to the development of a Master Plan and site-specific needs. Kansas City accomplished this through an in-depth survey of trade flows and a forecast of trade trends by commodity group. Based on this research, the business coalition put together a commercial plan.

A plan to alter the status of Richards-Gebaur Airport to create an ITPC was approved by the FAA in September 1999. The Kansas City Aviation Department and Kansas City Southern may now request from City Council the ability to hire a Master Planner and develop the site.

Kansas City is also creating a 'system' by tying in existing intermodal facilities and federal and state agencies through an internet link. It is yet to be determined what other locations will do, given the relatively early stage of development. However, the perception is one of competition between Kansas City, San Antonio and Fort Worth-Alliance with respect to what facility will become operational first. In actuality, the Kansas City ITPC will be the first ITPC to use the International Trade Data System (ITDS).

Minneapolis-St. Paul Joint Intermodal Facility

A public-private partnership was forming between the state government and the Burlington Northern Railway to create a multi-user containerport, prior to the merger with the Santa Fe Railway. Changes in management focus and personnel led to the abandonment of the idea. The need for a larger container facility for the BNSF and the Soo Line mean that the railways must eventually return to this discussion. What is at stake for the Twin Cities is its gateway capacity, especially to the southwest.

San Antonio ITPC

San Antonio is establishing an international trade processing facility, with an interest in diverting NAFTA traffic from Laredo. ITPCs will use ITDS technology to link with intelligent transportation systems. ITPCs include warehousing, storage and distribution centres. The nature of the ITPC depends upon the needs and interests of the local/regional economy. Other 'international trade' activities can be provided, such as banking, freight forwarding/brokerage and educational assistance. State and federal agencies, such as Customs and Food and Drug Administration, are encouraged to relocate to these sites. Plans include acreage reserved for future development.

San Antonio is in direct competition with Fort Worth for Laredo traffic. The residents near the Laredo/Nuevo Laredo border crossing are concerned about the movement of traffic away because of the economic impact to the local economy. The effectiveness of ITDS technology will have a major role in determining the dominant gateway for Mexican-NAFTA trade.

Lessons for Winnipeg

Kansas City and Winnipeg have similarities with respect to being a transportation gateway: efficient trade routes in all directions, especially the development of a NAFTA route, the presence of a number of trucking company headquarters, centrality of location and time zone.

Trade processing and intermodal facilities are able to maintain existing trade flows and capture new ones, dependent upon regional location and competition. Value-added businesses do locate and re-locate to these facilities because of the seamless flow of goods and benefit of access to a variety of governmental and international trade-related services. What Winnipeg's business community can learn from Kansas City is that a project of this magnitude can only be done with complete cooperation among participants. Without total commitment to working in unison, a multi-modal facility will not be successful.

For Winnipeg, an international trade processing centre, coupled with an intermodal facility, would attract storage, distribution and warehousing facilities that would result in growing north-south traffic.

The implementation of ITDS will be one way for a Winnipeg facility to become complementary to trade processing centres along the Mid-Continent Corridor. Much depends, however, on what rail company is most interested in the facility, and where the business of that company lies. If CN is the major tenant, a strong interest should lie in replicating the technology used in Kansas City in order to assist in the easy flow of goods from and to that facility. Linking up with Kansas City through a similar internet link would therefore be beneficial, as it would connect the two sites. Again, it depends on the nature of the operation, and main operator, of the multi-modal facility in Winnipeg.

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1.0 INTRODUCTION

The Mid-Continent International Trade Corridor (MCITC)¹ has, since the inception of the North American Free Trade Agreement, become a valuable tool for the expansion of trilateral trade between Canada, United States and Mexico. One means by which cities along and adjacent to the corridor have been able to take advantage of this location is through the development of state-of-the-art intermodal facilities.

Winnipeg is similar to Minneapolis, Kansas City, Dallas-Fort Worth, San Antonio or Monterrey in wanting to develop facilities that will maintain and enhance international trade. Whereas a number of these cities have already developed, or are in the process of developing such facilities, Winnipeg is still at the pre-feasibility stage. In one respect, this is not problematic, for the city is in the unique position of developing a strategy based on learned lessons, rather than by trial and error.

The objective of this study is to examine a number of relevant intermodal facilities and to develop a strategy for Winnipeg in its attempt to create a similar facility. With this in mind, facilities in Kansas City, Minneapolis and San Antonio are assessed, with lessons for Winnipeg derived in the concluding section of this report.

1.1 CONTEXT

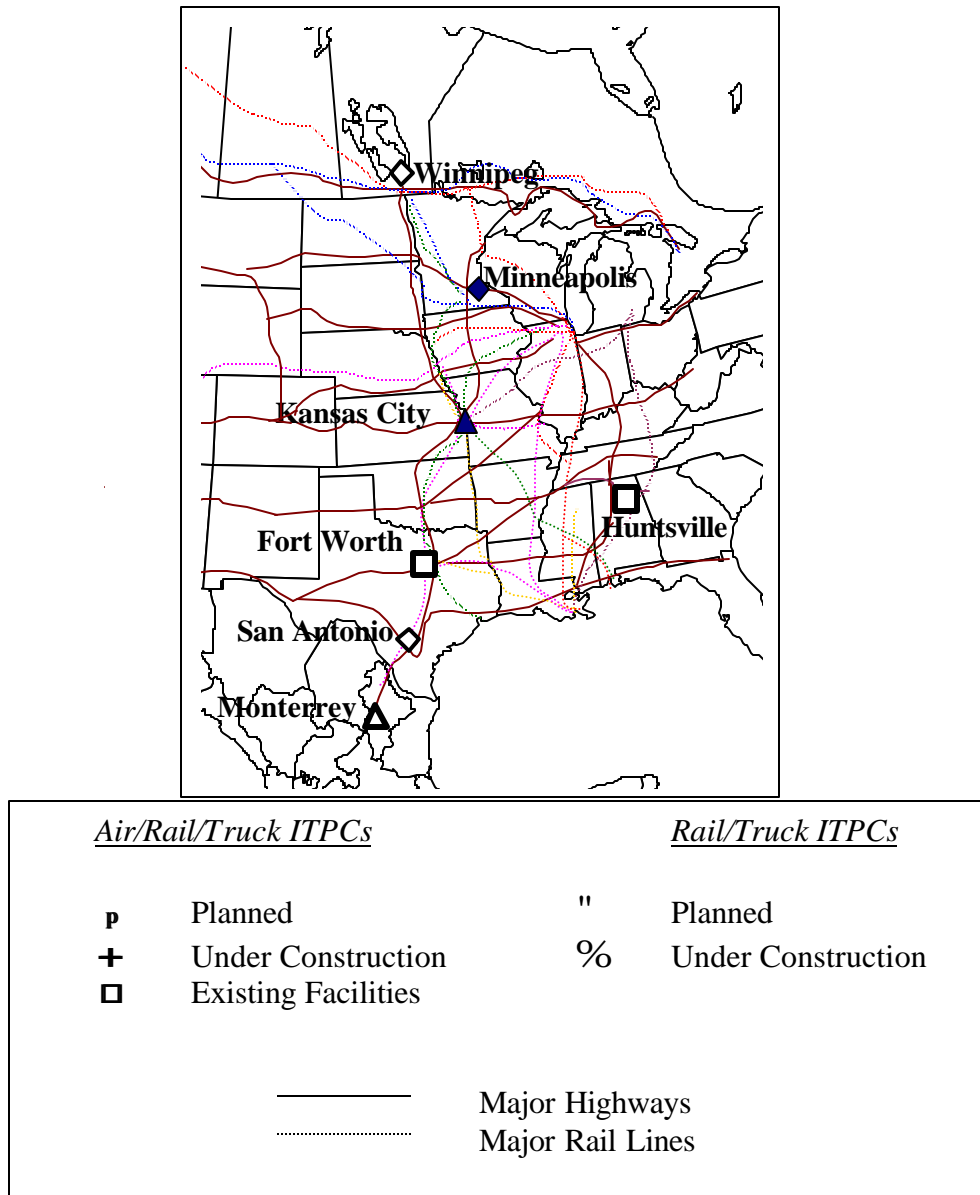
As the MCITC continues to develop, the transportation network can identify more opportunities to strengthen the regional economies within the corridor. One current phenomenon in the corridor is the planning and construction of intermodal facilities. Intermodal facilities are locales where cargo can be shifted from one mode of transportation to another. The modal shift depends upon the origin and final destination of the cargo. In many instances, intermodalism mixes truck and train cargo traffic. In some instances, it also incorporates air and/or marine transportation. International Trade Processing Centers can be developed at intermodal facilities. Trade processing centers act as inland border points where goods being shipped internationally can be pre-cleared through customs. For example, a truck crossing the US-Mexico border need not clear customs at the Texas border. Instead, the cargo can be cleared at an inland center if the cargo has been pre-cleared and sealed. While trade processing centers are different from intermodal facilities in terms of what they accomplish in terms of the movement of goods, it would be rare to find a trade processing center without an intermodal component on-site. With this difference in mind, and an interest by many cities to encourage international (read:NAFTA-oriented) trade, it is no wonder that seven cities in the MCITC have been identified as gateways that complement trade through International Trade Processing Centers (ITPC).

Map 1 shows the facilities in the MCITC and their relative locations in the region. Two fully-developed air/rail/truck facilities are displayed by square characters. Alliance at Fort Worth, TX (served by Burlington Northern Santa Fe) and Huntsville, AL (served by

¹ North American Superhighway Coalition (NASCO) uses the term 'North American International Trade Corridor'.

Norfolk Southern) are fully operational. Alliance was privately funded by the Perot family, and Huntsville received significant regional development grants from the Economic Development Administration (EDA) and the Appalachian Regional Commission (ARC). The developmental problems of site-selection, community support and service level issues are not addressed in this report.

Map 1 – Mid-Continent International Trade Processing Centers (ITPC)



The triangle symbols represent facilities that are under construction. The outlined triangle at Monterrey denotes an air/rail/truck facility.²

The dark triangle at Kansas City represents a planned rail/truck ITPC under construction. The diamond shapes represent facilities at various stages of planning. The shaded diamond at Minneapolis represents a rail/truck facility that could be built in that city. The outlined diamonds symbolize air/rail/truck facilities that are in the planning stages in San Antonio and Winnipeg.

The facilities are fairly evenly spaced along the corridor, indicating that there may be opportunities to operate in concert with each other rather than in competition. This concept is further developed later in this report.

The role of air cargo in multimodal centres is less clear. The Kansas City and Minneapolis facilities would have no air cargo components, a fact that does not lessen the enthusiasm or positive outlook for those facilities, particularly in Kansas City. Meanwhile, Winnipeg and San Antonio appear to consider air cargo as integral parts of any multimodal development.

2.0 KANSAS CITY³

In the early 1990s the business community of Kansas City was concerned that the city's status as a regional transportation hub was in jeopardy because of the development of intermodal/trade processing facilities throughout the region. In response, a study on the feasibility, viability and utility of an international trade processing centre (ITPC) was conducted. The ITPC is envisioned as a means to secure the regional centrality of Kansas City, and to attain a similar centrality within a NAFTA context.

Kansas City straddles the Kansas/Missouri state line at the intersection of three major interstate highways. Interstate 29 connects the city at the halfway point of the Mid-Continent International Trade Corridor. Its southern component is Interstate 35, leading towards the Mexican border through Oklahoma and Texas. Interstate 70 connects Kansas City with Denver and points west, and, via St. Louis, with the eastern US.

Kansas City serves as a regional hub for trucking companies, but Interstate connections are not the only transportation-related attributes of this location. Kansas City is the home depot of Kansas City Southern (KCS) railway, as well as lying adjacent to the Missouri River. The city has historically acted as a regional transportation and shipping hub for the mid-western region, primarily in the trucking and rail modes.

² A subsequent study that includes analysis of Alliance, Huntsville and Monterrey would provide more background and lessons on performance and operations. It is recommended that such a follow-up study be undertaken so that issues encountered by air/rail/truck facilities – both those that are already established and those that are still in the planning stages – can be addressed.

³ Material, resources and first-hand information on this project was provided by Paul Malir, Principal/Regional Vice-President, and Erin Flanigan, Manager, ITS, TranSystems Corporation (transystems.com)

Data provided for the ITPC report are indicative of this position. Sponsors of the report are under the assumption that the amount of goods flowing through its various ports of entry is sufficient to entertain the notion of an international trade processing centre. The volume and type of goods being traded south to Mexico and north to Canada – especially when combined with neighboring states – is clearly indicative of a locale that could benefit from upgraded transportation-related facilities.

The report on the viability of an international trade processing centre is divided into two equally important sections. The second deals specifically with the facility itself, whereas the first is a detailed report of three different, yet related surveys that were conducted with respect to trade-related issues.

2.1 BUSINESS SURVEYS

Surveys were conducted with freight carrier companies and both large and small businesses. These surveys form the data-based context in which the trade processing centre was researched. Companies interviewed were asked a series of questions pertaining to 1) the international nature of their business, 2) problems encountered while trading internationally, 3) future trading trends and 4) the perceived value of a trade processing centre in the Kansas City area.⁴ In total, 3200 surveys were mailed to freight companies, large firms and small firms. The breakdown of the survey sample and response rate is shown in Table 1.

Table 1 – Kansas City Business Survey Sample

Type of Company	No. of Surveys Sent	Responses	Response Rate	Confidence of Reporting
Freight	1000	203	20	95 (+/-6)
Large	1000	206	20	95 (+/-6)
Small	1200	409	34	95 (+/-5)
All	53 fifteen minutes telephone conversations, prior to survey			

A. Freight Carriers

Freight carriers indicated that Canada and Mexico are, by far, their largest international markets. Mexico was more complicated than Canada with respect to international trade barriers because of knowledge gaps on the part of the carrier companies and because of the complexity of the customs clearance issues. However, the majority of these companies see the international trade component of their business expanding, or have an interest in moving into international trade within the next five years. A significant majority (71%) believes a trade processing centre would be beneficial to the area with respect to the growth of international trade. The facilities rated the most important for these firms were an information centre, educational services, access to multiple modes of

⁴ Survey questions can be found in an attached Appendix A.

transportation (primarily truck), the presence of customs brokers and international trade consultants and the ability to clear customs in a timely fashion.

B. Large Companies⁵

Most large companies were interested in moving into or expanding their existing international trade relations, but found current processing systems and customs procedures complicated and trade-inhibiting. Large firms agreed that an international trade processing centre, given the proper facilities, modal access and location, would assist in creating an environment where international trade was encouraged.

A majority of firms concluded that they would like to benefit from NAFTA, but were unsure of how to do so given current regulations. For these reasons, education services, trade consultancy services and an information centre were perceived as necessary for a processing centre, as were modal access and the ability to clear customs in a timely manner. Banking and letter of credit facilities scored much higher with businesses of this size, representing the only significant difference between the two surveys with respect to the feasibility of a trade processing centre.

C. Small Firms

The small business community⁶ was also strongly supportive of an ITPC giving roughly the same answers as the freight carriers and large corporations. Those involved indicated a high degree of interest in expanding their businesses via international trade with either Mexico and/or Canada. However, they agreed that current processing systems were complicated and trade-inhibiting, especially for small firms that are unable to afford large-scale international trade consultancy. For these reasons, educational and consultancy facilities were considered necessary components of a trade processing centre, along with modal access and the timely and uncomplicated clearance of customs.

D. General Findings

Overall, the business survey indicated what the supporters of an international trade processing centre had hoped for: a positive response by the business community with respect to international trade, and agreement that an ITPC facility would make such trade more likely. The vast majority of firms in all three categories indicated a willingness to expand internationally, given the right circumstances and access to facilities and services that made such trade less complicated and easier to understand. Given the results of the surveys, a facility with trade consultants, federal agencies, a website linking these and other services and modal accessibility would meet these needs.

⁵ Large companies are those having sales greater than \$25 Million US annually.

⁶ Small businesses are defined as firms with sales under \$25 Million US per year.

2.2 FEASIBILITY STUDY

A. The Onset of NAFTA

The implementation of the North American Free Trade Agreement (NAFTA) in 1994 imparted a new dimension into the transportation picture for Kansas City. Not only is Kansas City a Midwestern hub for the shipment of goods, but because of the interstate and rail connections through to Mexico it has become a gateway for northern states shipping to Mexico, and for Mexican companies shipping north.

Even with the agreement being in force for five years, non-tariff barriers to trading with both Canada and Mexico remain.⁷ Many smaller companies are hesitant to grow internationally by taking advantage of NAFTA. Companies remain wary of the customs difficulties presented to them, primarily in the area of US-Mexico trade.⁸ Nonetheless, evidence indicates that trade between the three countries has grown substantially since the onset of NAFTA in 1995. For example, exports from Missouri to Canada and Mexico have risen an average 48 percent per annum.⁹ Farmland Industries, a farm co-operative, has concluded that NAFTA has helped open access to the Mexican and Canadian markets. Farmland has reported increase from \$50 million to \$450 million in sales to the Mexican market of all agricultural-related products.¹⁰ Between 1995 and 1999, Canadian exports have grown by 46.0 percent to Mexico and 64.0 percent to the United States. Imports from Mexico have increased by 225.4 percent over the same time period, and imports from the US have increased by 36.0 percent.¹¹

Creating intermodal ITPCs that combine a number of customs and immigration-related services in an almost 'one-stop shop' manner would benefit of those involved in trading and shipping goods across boundaries throughout the NAFTA region. Present-day congestion at the Laredo border crossing could be decreased by having an 'in bond' virtual international border in Kansas City, linking up through existing and to-be-created technology intermodal yards, bonded warehouses, manufacturing and other related facilities. An ITPC is envisioned to attract shippers, brokers and freight handlers that currently use other facilities. Through attraction of new business, further international trade will be prompted.

B. Physical Components

The ITPC report describes a number of existing intermodal facilities, including Columbus, OH, Memphis, TN, and Indianapolis, IN, and their applicability for Kansas City. The striking difference between these three and Kansas City is the lack of a strong

⁷ These include truck weight and size regulations that differ between states and provinces, as well as language difficulties and customs systems that are not standardized.

⁸ There are US-Canada trade concerns, but not to the same extent of those that plague US-Mexico or Mexico-Canada trade relations.

⁹ 'NAFTA and The State of Missouri', Council of Americas and US Council of the Mexico-US Business Committee, 1999, p.1.

¹⁰ 'NAFTA opens direct marketing channels to Mexico, Canada', Farmland System, 1999.

¹¹ Industry Canada's Strategis web site: strategis.ic.gc.ca.

air cargo component to the economic activity of the region. Each of the three above cities is a hub for either Federal Express or United Parcel Service, thus making air cargo a crucial element in the establishment of an intermodal operation. Nonetheless, because of the presence of Kansas City Southern and the Interstate Highway connections, the rail and truck elements are stronger than these other locations. Other differences are also apparent. The Missouri River is not crucial to the transportation of goods to or from Kansas City, unlike Memphis and Louisville, but similar to Columbus and Indianapolis. Finally, Kansas City International Airport is administered through city structures, rather than a separate authority, possibly rendering it unable to change policy quickly to meet new cargo and/or passenger traffic demand.

After assessing the strengths and weaknesses of the various intermodal facilities, the decision was made to reject any attempts at direct synergy between truck, train and *air*. For this reason, the ITPC 'site' need not be adjacent to Kansas City International, despite customs issues that suggest KCI would be more appropriate than any other locale. KCS favours Richards-Gebaur as a main site for the processing centre.

Regardless of the airport-based location of the ITPC, the report concludes that international banking services and customs brokers/freight forwarders should be present for the benefit of providing a 'one-stop-shop' product.

Banking Facilities

Banking can be done electronically, with almost no deliveries on a 'cash-on-delivery' basis. Consequently, foreign exchange and international wire transfer needs would be infrequent, as would be the need for a bank with international banking facilities located on-site. However, letter of credit operations are still required for the shipment of goods and the transfer of documents.

In addition, resident staff and businesses would require day-to-day retail banking facilities. In turn, the bank in question could gain a foothold position with respect to non-resident corporations active at the processing centre.

Customs Brokers

Since the introduction of technologically-driven systems such as the North American Trade Automation Prototype (NATAP), customs brokers and freight forwarders have become increasingly electronically oriented. Nonetheless, the perception remains that these businesses should be physically located near their customers, at a single or multi-modal transportation facility. Kansas City is home to more than twenty-five forwarding and brokerage service companies, and it is presumed that a large intermodal freight centre with on-site Customs facilities would attract the majority of these companies. Further, their presence would be complemented by the existence of a letter of credit specialist. Finally, the development of a critical mass of brokerage/forwarding companies and federal clearance authorities, could attract other related firms to such a facility,

illustrating the agglomeration advantages of a trade processing centre, leading to economic development

C. Human Components

The Kansas City report stresses that an international trade processing centre on its own will not be able to deliver the benefits desired by industry. Knowledge and support systems throughout the business community must complement existing technology. Similar internationally-oriented organizations and processes may be developed in the city and throughout the region. 'The ultimate effectiveness of the ITPC may largely depend upon the ability to re-locate federal inspection agencies (Customs etc.) to the site(s)...'¹² Other institutions may not be required to be 'on-site', but nevertheless are considered integral to the project as a whole.

A number of organizations are already positioned to assist in the development and maintenance of a trade processing centre. These include the following city, state, regional and federal economic development agencies, each with existing Kansas City locations:

- Mid-American Regional Council (MARC)
- US Department of Commerce District Export Assistance Center
- US Department of Agriculture
- US Small Business Administration
- US Customs Service
- Department of Transportation (US, Kansas and Missouri)

A number of non-profit organizations are also currently engaged in supporting international trade development in the region, including:

- North American International Trade Corridor Partnership (NAITCP)
- Greater Kansas City Chamber of Commerce (GKCCC)
- North American Superhighway Coalition (NASCO)¹³
- Kansas City Area Development Council (KCAD)
- Hispanic Chamber of Commerce (associated with Chamber of Commerce)
- University of Missouri at Kansas City Center for International Business
- University of Kansas Center for International Business

Finally, a series of clubs or networking associations exist within the greater Kansas City region. Each works towards the promotion of international trade through seminars, workshops and conferences. These include:

- International Alliance

¹² TranSystems Corporation. *Mid-Continent Tradeway Study: Kansas City – International Trade Processing Center Study*. Kansas City: TranSystem Corporation, 1999, p.192.

¹³ Headquartered in Kansas City at the behest of the Greater Kansas City Chamber of Commerce, NASCO was initially created to lobby for ISTEA highway funds for the improvement of both I-35 and I-29. It has shifted its emphasis, somewhat, to trade issues concerning the mid-continental superhighway.

- International Trade Club
- International Relations Council
- Kansas International Development Association (KI)

At present, a high degree of cooperation and consultation exists between these various groups with respect to international trade and international business.¹⁴ Within this community there is an existing understanding that for the city and region as a whole to take advantage of NAFTA-related opportunities, the area must be ‘trade-ready’ by being ‘trade-knowledgeable’. Political barriers between some of these organizations do, at times, mitigate this cooperative spirit, but a largely progressive spirit does exist.

However, even within this context, other ‘organizational’ developments are considered vital to the overall success of the trade processing centre. These include:

- Free Trade Zone (FTZ) Status
- World Trade Center (WTC) Designation

The most applicable FTZ in the case of a multi-site virtual trade processing centre would be a non-contiguous general purpose zone. Business surveys indicated a desire for more than a ‘paperless transaction’ function zone, access to multiple modes of transportation and in-bond clearance of freight.

Within Kansas City, general purpose free trade zones already exist, meaning that another FTZ may not be required. The required functions could be achieved by using existing zones. However, if that is not possible, an application will be made for a new zone.

The development of a World Trade Center designation for Kansas City is not considered necessary for the eventual success of an ITPC. However, it is recognized in the report that an active trade centre would complement the existing international trade environment that currently exists in the city. Commonly, WTC buildings are ‘home’ to foreign consulates, federal trade agencies, freight forwarders and customs brokers, freight carriers, export trading companies and trade associations. WTCs offer a range of seminars, floor space for trade shows and other facilities for guest businesses and foreign diplomatic/trade delegations.

‘Both efforts [ITPC and WTC] advance the development of the Kansas City area as an international center for commerce and trade.’¹⁵ They are complementary initiatives, but do not require shared facilities. However, an active WTC, spearheaded by an agency such as the Chamber of Commerce, would be an asset within the larger framework of the trade processing centre and the city’s desire to expand its international trade presence.

¹⁴ Examples include jointly-sponsored workshops by the GKCCC and International Trade Club, as well as regularly attended NAFTA meetings by representatives of NASCO, NAITCP, MARC and the GKCCC.

¹⁵ TranSystems Corporation. *Mid-Continent Tradeway Study: Kansas City – International Trade Processing Center Study*. Kansas City: TranSystem Corporation, 1999, p.255.

D. Technological Components

A virtual processing centre must contain certain specific components. These include:

- International border electronically expedited clearance
- Electronic credentialing
- Shipment and vehicle tracking
- In-bond shipment security
- Intermodal facility management
- Electronic Payment
- Corridor-wide Commercial Vehicle Operation traveler information
- Trade services

US Customs and US Immigration and Naturalization Services have begun to address some of these issues through the development of a number of electronic processing systems. Instead of days, the pre-clearance time for goods beings shipped internationally can be reduced to hours for high volume, low-risk goods. At actual border sites, electronic systems have reduced the time factor to minutes. At the very least, a virtual processing centre will marshall existing technologies at one locale (one website)¹⁶ with potential add-on elements to this system reducing wasted time in the international transportation of goods. By using Laredo as an example, the report indicates that a minimum saving of \$200 Million US will accrue to industry by 2007 by way of a virtual processing centre. The use of the International Trade Data System (ITDS) as well as Commercial Vehicle Information Systems and Networks (CVISN), could save billions of dollars through the existence and use of an international trade processing centre, specifically a virtual one.¹⁷

E. Value-Added Benefits

The objective of creating an international trade processing centre is based on the ability of the centre to draw in new and synergistic businesses into the Kansas City area and to provide new services to existing companies in order for them to expand.

Vertical integration of the ITPC is considered value-added benefit that the report does mention as a logical outgrowth of the establishment of the facility. The Memphis intermodal facility is a prime example of this development. Call centres have relocated to match up with same-company distribution facilities, as well as retail outlets and computer assembly plants. Further, the location of one company may impact on the relocation decisions of other firms. Again, in Memphis a number of Japanese companies followed the example of Sharp in choosing that location. This further emphasizes the agglomeration advantages of an ITPC.

¹⁶ TranSystems Corporation. *Mid-Continent Tradeway Study: Kansas City – International Trade Processing Center Study*. Kansas City: TranSystem Corporation, 1999, pp.76-180.

¹⁷ TranSystems Corporation. *Mid-Continent Tradeway Study: Kansas City – International Trade Processing Center Study*. Kansas City: TranSystem Corporation, 1999, pp.181-184.

Comparisons with other sites are difficult to make because of the multi-site and virtual nature of the Kansas City approach. The Memphis facility will cost \$360 Million US. It is calculated that over a twenty-year period the facility will create 15,000 new jobs with \$19 Billion US in revenue. Further, local tax revenue will be increased by \$215 Million US with almost 50,000 new jobs in the surrounding area, including direct, indirect and induced employment. Even though the facilities may not be directly comparable, the figures concerning Memphis illustrate one point: every intermodal facility, when implemented properly, infuses a significant amount of investment in economic activity into the surrounding area.

Food Processing Facilities

One of the many industries that could benefit and grow from the presence of a trade processing facility is the food processing sector. This is based on current trends of agricultural products already being transported in and through Kansas City.¹⁸ For this reason, the report suggests the incorporation of a food processing facility capable of handling both agricultural and industrial use, located next to either an interstate highway or a rail line.

In studies of existing food processing centres, it was concluded that the location of a facility was based on either proximity to raw materials or transportation logistics. The decision to locate a Frito-Lay facility in Virginia was based on transportation logistics, accessibility to sources of potato production (Florida and North Dakota), and easy access to markets.

This reliance on logistics compared to raw materials is also evident in Kansas City. One of the strongest corporate supporters of the trade processing centre is Farmland. A Fortune 500 food production company, Farmland's corporate leadership considers the processing centre as an opportunity to become more accessible to its raw materials (producers) and consumers. There is a strong belief that a state-of-art food processing facility¹⁹ would enhance the activities of existing companies and attract other nationally and/or internationally active firms.

General Distribution Facilities

A major business survey concluded that logistical support is key to the development of business opportunities. However, most firms are either unaware of this need, or unsure of how to access such support. For these reasons a trade processing centre that offers strong distribution/logistical support and services would be better able to enhance the business of existing firms, and attract new business. Within this context, the Kansas City trade processing facility would concentrate on its strengths, those being logistic and

¹⁸ Food and beverage processing as a whole in the US was a \$500 Billion US industry, with total direct and indirect employment of 13.5 million people.

¹⁹ Such a facility must also include sufficient: electrical power; water for sanitation and processing; filtration system; process and storage space, with future expansion in mind; shipping/receiving docks, and space for outside trailer storage.

distribution support in rail and trucking. With these strengths, bulk manufactured products and agricultural products could be shipped without difficulty.

Some companies have created alliances with rail companies, like Ford has with Norfolk Southern, in order to reduce the 'cycle time' between order and delivery. By creating four mixing centres (Southeast, Southwest, Northeast and Northwest) it is calculated that Ford's plant-to-dealer delivery time will be reduced from two months to fifteen days.

The presence of companies such as Ford, General Motors, Harley-Davidson, Porsche and Kawasaki in Kansas City only strengthens the need for general distribution facilities given their ability to benefit existing local firms.²⁰

Site Specific Issues

Because of certain attributes held by Kansas City and the surrounding area, a trade processing centre is a logical development. The questions that remain include:

- Which sites will be used?
- How will it be operated, and by whom?
- What costs will be incurred?
- How will it be marketed and sold?

The latter two questions, somewhat specific to the United States, are included in the Mid-Continent Tradeway Study, and are not discussed in this summary report. However, the former two questions are important with respect to the overall development of the facility.

Seven locations have been considered for the creation of a site-specific trade processing centre. As of late 1999, the primary site is Richards-Gebaur (RG), a seldom used general aviation airport in southern Greater Kansas City. RG has sufficient land but is currently underused. It would be able to house currently projected tenants and facilities, and is expandable given future demands. It is a foreign trade zone, and both forwarders and customs brokers have indicated that they would relocate. Further, it is close to an interstate highway, and has existing rail facilities. Kansas City Southern favours the RG site because its rail lines run almost adjacent to the site.

Because of the future development considerations of the project, the management structure must be sufficiently flexible to make long-term decisions that are not subject to overt political considerations. Therefore, the suggested management structure is an authority with legal personality, under the control of the Port Director. The 'authority' would have bi-state oversight, as well as a board of commissioners of appointed citizens. A governing body without the ability to make independent and long-range decisions will not be able to serve the interests of the trade processing centre and its clients.

²⁰ Gateway Computers could also benefit, given the example of Hewlett-Packard's logistic/distribution operation in Memphis.

2.3 RECENT POLITICAL DEVELOPMENTS (SPRING-SUMMER 1999)

Kansas City recently elected a new mayor, Kay Barnes. The previous mayor was a public supporter of the trade processing centre project. The stance of the new mayor on the issue is, to date, ambiguous. Two other issues compound this situation.

Citizens who live near Richards-Gebaur (RG) are concerned at the prospects of closing the airport. A recent petition to scuttle the move has compelled the newly elected mayor and city council to rethink the facility. Part of this process is to consider seeking federal approval to build a new, shorter runway in order to maintain the current general aviation status of RG. KCS railway is not opposed to new runway construction provided it does not interfere with its intermodal plans. Still some parties are concerned that redevelopment of the airport as an ITPC will be negatively impacted.

The ITPC could have been developed at other sites, such as the Kansas City International Airport; however, RG is the facility 'of choice'. In spite, or possibly because of the controversy and doubt surrounding the RG site, the three agencies involved in the Tradeway Study have begun an implementation strategy independent of the referendum outcome. The GKCCC, KCADC and MARC have devised an initial plan for the potential funding of staff and the establishment of an informal advisory board with charter duties. Staff at SmartPortKC would work towards the:

- marketing and advertising of the ITPC
- developing additional funding/sponsorship strategies
- programming in the area of 'outreach'
- establishing partnerships and key alliances

The rationale behind this move is twofold. First, momentum must be maintained, given that the initial study was completed in March 1999. Second, it is important to illustrate that the ITPC is not site-dependent, and will be implemented regardless of decisions taken with respect to the Richards-Gebaur site. A central administrative location is required, where services such as banking, education, information, documentation/brokerage and others mentioned in the study would be located. However, the study works on the basis of creating a means by which existing intermodal facilities can coordinate activities with federal agencies and other organizations without the requirement of a single site. Virtual capabilities will encourage the maintenance of existing facilities, because communication channels with the proper agencies are already developed, facilitating the international movement of goods, a notion strengthened by the implementation of ITDS. The desire to begin implementation is, therefore, partially based on this recognition, as well as political consideration.

In August 1999 referendum, Kansas City voters approved the conversion of RG airport into a truck-train intermodal facility by a 56% to 44% margin. The Federal Aviation Administration (FAA) did not want to rule on the proposal until after the election but approved the plan early in the month. This allows the city to move towards the approval of a Master Planner for the development of the facility. Recently, TranSystems engineers

established a timeline for development to meet the needs of Mazda. Mazda has agreed to establish an auto-mixing centre at the facility that will serve as the outbound distribution centre for a new line of Sport Utility Vehicles to be built in the Kansas City area. Mazda will also use the facility as an inbound centre for cars being sold in a three-state catchment area. Both Mazda and KCS wish to begin using the facility in the spring of 2000.

3.0 MINNESOTA INTERMODAL RAILROAD TERMINAL FEASIBILITY STUDY (MIRTS)

Minneapolis is 'home' to a number of railways, including Burlington Northern Santa Fe, Canadian Pacific (Soo Line) and Union Pacific. BNSF and CP own and operate intermodal facilities in the Greater Minneapolis area, whereas UP does not have the traffic or routes to warrant such a facility on its own. UP has indicated an interest in a multi-user facility.

The Metro Council was of the opinion that, given growing trends in container traffic, existing facilities would not be able to meet long-term intermodal transportation demands. In their inability to do so, Minneapolis would neither be able to maintain nor expand its ability to capture intermodal trade. The city would not derive as many benefits as it could if intermodal capacity was upgraded.²¹ The Minnesota Intermodal Railroad Terminal Feasibility Study (MIRTS) was prepared in 1996 to evaluate the infrastructure issue.

The MIRTS study examined three sources of data. First a study was undertaken of current and future truck/train and specific intermodal transportation traffic. The second was a calculation of growth patterns (economic and population) in the greater Minneapolis-St. Paul area. The third data source was a business survey of transportation and trade-related companies in the metropolitan area. Combined, these data were translated into 'lift capacity'. It was concluded that, in the short-term, both intermodal facilities could be upgraded to meet such needs. These upgrades would be obsolete, however, given long-term demand growth, based on transportation and business surveys. Future upgrades would be required, with substantial stand-alone costs being incurred.

The general conclusion based on this data was that Minneapolis would require lift capacity of 400,000 lifts by year 2003 (500,000 lifts in the immediate post-2003 planning horizon). In comparison, short-term upgrades to both BNSF and CPR facilities would extend lifts to 320,000 per year.²² Even with new technology (C.H. Robinson's triple

²¹ In the MIRTS study, 'capacity' was approached from a number of perspectives. These include the mix of trailers and containers handled at a facility; slot utilization rate; seasonal adjustment; and differentiation between theoretical and practical capacity abilities. This issue is discussed in greater detail at the outset of the study, where various means of calculating capacity are discussed, and used throughout.

²² Combined, the CP (Shoreham) and BNSF (Midway) facilities accommodate, at the writing of the report, 270,00-290,000 lifts. BNSF, given projections, would require immediate upgrades whereas the CP facility does not. However, for the sake of efficiency the CP facility would also require redevelopment. The study notes that a primary concern is the delay time trains currently experience at the intermodal site. These delays can be up to 4 hours.

stacking equipment), it was asserted that short-term adjustments would require further redevelopment given lift demands. The BNSF Midway facility is hampered in its inability to expand because of surrounding urban development. The implementation of new technology, such as cranes, may assist in mitigating existing and short-term lift abilities, but will not be sufficient given long-term trends. If BNSF grows by 5 percent per year, practical capacity of a 1995 calculation will be exceeded. Technology could enhance lift abilities by 15 percent, but growth projections are even greater. The margin, over time, is small; upgraded facilities will not be able to meet BNSF projections over the long-term.

One possible solution to demand needs is a multi-user multi-modal, cost-shared facility available for use by all three rail companies. The facility was anticipated to attract major intermodal users given the presence of three rail companies.

The criteria for the location of such a facility include:

- Access to major highway and water routes
- At least 65 ha (165 acres) for 2100 m (7,000 ft.) of track and an additional 235 ha (585 acres) for a 300 m (1,000 ft.) buffer zone, and 200 ha (500 acres) for expansion (500 ha or 1250 acres in total)
- Connections and clearance capacity of the serving rail lines
- Centrality of location with respect to market area

In addition, one may also want to consider future development projects. In this respect, the size of the site itself is important, as well as the ability to expand over a longer time period. Current intermodal facilities face site expansion issues.

The CP facility has enough 'room' for a growth in lift, but has technology and infrastructure limitations. The least-utilized-space is incapable of handling loaded trailers or stacked containers, both of which need additional storage space. Advance staging of equipment is minimal, and would require upgrading. As the report indicates, trains must be stripped of inbound cargo prior to outbound cargo being staged for ramping. This is a problem of efficiency rather than lift capacity. A multi-user intermodal facility should make the loading and unloading of cargo more seamless and timesaving.

The MIRTS study concludes that a number of steps could be taken to upgrade the CP facility given short-term demands. However, as is the case with BNSF, further upgrades of a more costly nature would be required almost immediately to meet long-term growth demands. Therefore the case is made in the study for a multi-user intermodal facility. It is suggested that the cost of such a facility would be in the range of \$75 Million US, with economic benefits accruing from the reduction in shipping delays, crashes and emissions to equal \$300M US.

Current Political Context

The project is inactive from the standpoint of the Metro Council and MnDOT (Minnesota Department of Transportation). After BN merged with SF, uninterested SF officials replaced BN executives, who had been in favour of the project. Without the support of BNSF and/or the shipping community, the sentiment from the standpoint of the Metro Council is that there was no clear public mandate to pursue the project. The goal of the Metro Council was to shepherd the project to a stage where a developer could take over the management, do the necessary financing, obtain local approvals and secure the environmental clearances necessary to implement it.

The concept of a consolidated intermodal facility still has merit. Container traffic is growing as predicted. Without the support of the railroads, however it is difficult for the public sector to resolve the terminal capacity issue. Officials believe that as conditions change with respect to BNSF, Metro Council will return to the issue.

4.0 SAN ANTONIO

San Antonio has a number of locational advantages that allow it to serve as the main transportation hub for the southern part of Texas. Located at the juncture of three interstates (I-10, I-35 and I-37), the city of San Antonio is connected to both coasts as well as Canada and Mexico. Its surrounding highway system links the city directly to Dallas, Houston, Laredo and Monterrey. The rail system is dominated by the presence of Union Pacific, allowing further access to cities such as Chicago, St. Louis, Seattle and Los Angeles. Rail connections and service are not the only reasons why the city has developed into a trade hub. San Antonio is home to ten foreign trade zone locations (administered by the City of San Antonio under one general purpose FTZ). Year-round weather in San Antonio is almost immune to seasonal transportation disruptions.

In 1995 the city was faced with the closure of Kelly Air Force Base. The Greater Kelly Development Corporation (GKDC) was established to develop a strategic plan for the future of the base, in an attempt to make use of a large parcel of land with existing infrastructure facilities. With access to both interstate highways and rail lines, the possible redevelopment of Kelly AFB into an intermodal facility was a logical choice as one of the strongest options available to GKDC. Strengthening this option was the fact that, because of the existence of direct East-West rail links, Kelly AFB qualified for governmental assistance to develop an international trade processing centre. The 3500-m (11,500-foot) runway, which is adequate for wide body air cargo operations, would make such a facility truly multi-modal.

Master Planning

In 1997 the GKDC published a master plan document for the redevelopment of Kelly Air Force Base. This plan, nonetheless, was predated by the 1995 Initial Base Adjustment Strategy Committee (IBASC) Strategic Plan for the Redevelopment of Kelly Air Force Base. The IBASC plan spoke of privatization, commercialization, land use,

infrastructure, transportation, human resource, state and federal liaison, citizen impact issues and the establishment of a local redevelopment authority (LRA). Five main suggestions for redevelopment were recommended. These include:

- Aircraft Maintenance Complex
- Multimodal Logistics Distribution Centre
- Build-to-Suit Industrial Park (Rail)
- Build-to-Suit Industrial Park (Air)
- Administrative Support Services

All five suggestions would build upon existing skills found at or near Kelly AFB. For example, existing Department of Defense workloads could be privatized, and supplemented by the attraction of aerospace firms to the site. Given both air and rail access, firms requiring either service could be targeted for relocation to the base. Finally, direct air and rail access, coupled with existing warehouse facilities, would allow for the development of a multi-modal complex. In conjunction with 'Inland San Antonio', the city would be able to establish itself as an international trade centre.²³ Given the presence of both Inland San Antonio and an air force base in need of redevelopment, it appeared to be a perfect match of two agencies – unsuccessfully to date – each looking for a partner. The air force base needed a customer, and Inland San Antonio needed a home. By matching the two, both could receive what they needed in order move towards completion.

Multi-Modal Benefits

Two of the five suggestions strike at the heart of the facilities that were turned over to GKDC from the air force base: aerospace expertise and existing warehouse facilities on the base site. Thirty facilities, with 390,000 m² (4.2 million square feet) of covered space, were present at the base when it was closed. Further, these facilities contain key distribution capabilities that strengthen the multi-modal argument. These capabilities include:

- Material handling system of 14,864 m² (160,000 square feet), with the presence of various types of conveyors, including a live roller, belt-on-roller and material diverted conveyors consisting of 9-strand chain.
- A computer-operated, small-item Automated Warehouse System, consisting of 45,000 m² (480,000 square feet). It is able to sequence and schedule receipts, issues, and directions pertaining to orders. There also exists a medium item system, covering 44,000 m² (474,000 square feet). In total, 120,000 m² (1.29 million square feet) of covered space can be allocated to a variety of automated storage and retrieval systems.

²³ Inland San Antonio' is a collection of businesses, enterprise zones and city-wide projects working in unison to assert San Antonio as an international trade centre.

- In addition, the largest man-up sideloader/cantilever rack installation in San Antonio exists at Kelly AFB. The layout combines both cantilever racks and wire-guided sideloaders. The length of this design is such that vertical obstruction does not occur. This facility occupies a total of 31,200 m² (336,000 square feet).
- Shipping equipment, such as a tilt-tray sorting system, a dimensioning and weighting system, overhead box delivery system and storage facilities for bulk, hazardous and electrostatic materials also exist. A total of 14,864 m² (160,000 square feet) are occupied by a device that can accommodate material received by either off-loaded float trucks or via conveyors.

In total, the Kelly Multi-modal Distribution Center represents more than 371,600 m² (4 million square feet) of space, with 1.87 m³ (66 cubic feet) of *covered* storage space and a further 30 hectares (75 acres) of improved outside storage. These facilities would be buttressed by an administrative centre charged with making these facilities ‘attractive’ to local, national and international (and internationally-oriented) businesses. A number of small business programs, workshops, loan funds, partnerships and industry days will be developed in order to assist these companies in their expansion into international trade.

‘Kelly 21’

By 1999 a number of significant aerospace firms had relocated to Kelly. These include Boeing, Pratt & Whitney, Rail Car America, Ryder, and General Electric (GE). However, even with these successes, there is concern about the absence of non-aerospace companies. It is understood that for redevelopment to proceed expeditiously, a partnership between GKDC, City Council, County Court members and local legislators, not to mention the public, must be created. This partnership could culminate in workshops targeting specific aspects of redevelopment, and focusing small groups of people on specific tasks for the strategic development plan.

5.0 A MULTI-USER, MULTI-MODAL FACILITY IN WINNIPEG

Winnipeg has traditionally been a ‘gateway’ city within the context of Canadian transportation. For goods to move from one part of the country to another by either rail or truck, they have had to pass through Winnipeg.²⁴ It is estimated that 27,000 jobs are related to this sector of the economy, with the volume of rail, truck and air movements through Winnipeg exceeding the traffic to and from Manitoba.²⁵

Manitoba interacts internationally in a number of ways, including the transportation of goods through the Port of Churchill and the presence of the mid-continental trade route to

²⁴ The CP Rail network in the US allows for goods to bypass Winnipeg en route between Western Canada and Eastern Canada. The proposed CN-BNSF merger would also give the new North American Railway this ability. However, for goods transported entirely in Canada, they still must travel through Winnipeg.

²⁵ Barry E. Prentice, “Winnipeg: Gateway to the Mid-Continent International Corridor”, in B.E. Prentice, M. Butt, W. Derkson (eds.) *Research Report Prepared for the Mid-Continent International Trade Corridor Task Force*, Winnipeg: Transport Institute, 1998, pp. 7-28.

the United States and Mexico.²⁶ Access to the United States is simple given the connection that exists between the provincial highway and the interstate system. From Winnipeg one can transport goods to Mexico, without ever leaving the Interstate 29/35 route that passes through Omaha, Kansas City and Dallas. This accessibility has, over time, made the border crossing at Pembina/Emerson the busiest port of entry west of Detroit, and east of Blaine, Washington.

Winnipeg's geographical location enhances its ability to serve as a rail gateway for NAFTA trade, evidenced by the presence of three Class I railways: Canadian National (CN), Canadian Pacific (CP) and Burlington Northern Santa Fe (BNSF). At the present time, however, BNSF has no facilities to handle intermodal shipments in Winnipeg,²⁷ and the CN and CP containers are handled at old "piggy back" yards that are hemmed in by non-grade-separated roads.

The southward pull of NAFTA increases the 'gateway' dimension of the city. The ease of access to the United States and Mexico via the interstate highway system has already been noted. However, until the agreement was concluded in 1994, these trade routes were discouraged in favour of trans-national trade. Since this time, however, greater emphasis has been placed on taking advantage of the city's location for trilateral trade. Further, by accentuating these assets, Winnipeg can further enhance its status as a regional hub for all of Western Canada, due to the lack of similar assets in Saskatchewan or Alberta, Northwestern Ontario and the northern territories.²⁸

The return of Winnipeg to its traditional and historical role as a major gateway city is being propelled by geo-political conditions. In this respect, Winnipeg faces a situation similar to that of Kansas City, which was, and remains today, a gateway city for the transportation of goods both north and south in direction, as well as within a regional context. Like Kansas City, the transportation strengths of Winnipeg lie in truck and rail, with air and sea lesser in their transportation impact. The merger of CN and Illinois Central has, for Kansas City, a positive effect given the relationship between Kansas City Southern and Illinois Central. Both cities are well positioned to take advantage of the first 'NAFTA railroad'. With these common aspects in mind, both cities would appear to have natural interests in the development of facilities – either intermodal or ITPC-oriented – that would be able to capture and foster increased NAFTA trade.

However, differences do exist with respect to the 'markets' served by Kansas City and Winnipeg. Kansas City is a metropolitan area of 1.7 million people, with a traditional market of over 3 million people including Des Moines, Omaha, Wichita and many smaller cities and towns throughout Kansas, Iowa, Nebraska and Western Missouri. The Winnipeg market area incorporates all of Manitoba, parts of Saskatchewan, Nunavut and Northwestern Ontario. However, that population base (1.4-1.6 million people)²⁹ is far

²⁶ Winnipeg International Airport also connects the city with international trade and transportation.

²⁷ BNSF has a piggy-back ramp at its Winnipeg facility, but it is disassembled and has not been in use for over ten years. BNSF has no container capabilities at all in Winnipeg.

²⁸ The new territory of Nunavut has expressed great interest in using the city as a route southwards.

²⁹ The Winnipeg Airports Authority claims to have a catchment area of about 1.2 million people including Manitoba and westernmost Ontario.

smaller than that of the Kansas City catchment area. The volume and commodity-specific tonnage that flows through Winnipeg and Kansas City varies because of the differing nature of the two catchment areas. Therefore, a dedicated intermodal facility in Winnipeg may be all that is required, rather than a combined intermodal/ITPC facility as in Kansas City.

Two further points might also mitigate the establishment of an ITPC in Winnipeg. First, there is little congestion at the US-Canada (North Dakota-Manitoba) border crossing in comparison to that at the US-Mexico (Laredo) crossing. Second, goods being transported across the US from Mexico are not being funneled through Kansas City. After arriving at the junction of Interstate 40 in Texas, goods move east and west on a number of routes. If goods were pre-cleared to cross the border, ending up in Kansas City – reducing the waiting time at the US-Mexico border – then some cargo traffic would be redirected to Kansas City. This would likely not be the case in Winnipeg. However, given trends in the rail industry,³⁰ it may come to pass that Winnipeg has to rely less on its geographical location in the center of Canada and develop reasons for companies to move goods through its 'ports' rather than any other. In this scenario, Winnipeg may face the same situation as Kansas City. Therefore, Kansas City serves as a useful model for Winnipeg with respect to the development of a dedicated intermodal facility, with the option of expanding this site into an ITPC.

5.1 AN INTERMODAL FACILITY FOR WINNIPEG

Intermodal traffic, based upon the calculations of the early to mid-1990s, is set to rise year-on-year for the foreseeable future. The fact that Winnipeg serves as a gateway for much of this traffic underlines the need for proper intermodal facilities that will provide economic benefits for the city. At present, the two main rail carriers own and operate separate facilities. Neither is interested in the creation of a joint facility. Nonetheless, interest has been expressed by interested parties such as the Winnipeg Airports Authority to create a synergy between air, rail and truck cargo via a facility located adjacent to the airport, on presently unused land owned by Canadian Pacific. This interest stems from a long-range planning report on the future development of the airport and surrounding area. An intermodal facility adjacent to the airport would be beneficial for the airport authority, cost effective in the intermodal shipment of goods and be indicative of a development strategy that is compatible with airport operations in general.³¹

The recommendations found in this report coincide with a number of rail-related developments that suggest an intermodal facility would be a logical next step. The first is that CN was adamant that it needed to expand its present intermodal facility given industry trends and projections. The second is that CP and CN considered merging facilities, track and trains east of Winnipeg, with the use of the CP main line. Such a development would have made an intermodal facility less complicated for CN routing, as

³⁰ For example, consider the proposed CN-BNSF merger, and the subsequent continental implications and repercussions that could flow from this merger.

³¹ John Heads, Jim Wallace, Chris Loly, *Preliminary Feasibility Assessment of an Integrated Rail Container Facility for Winnipeg*, Winnipeg: Transport Institute, 1995, p.19.

well as cost-effective given transportation logistics. However, the talks stalled, and since that time (1994) have failed to re-emerge in a substantive manner. Nonetheless, CN needs either to expand its existing facilities or to establish a new facility in order to meet future needs. Given the cost of relocating, there is no economic reason – in other words, no business case – for CN to relocate its facility. It is unlikely that CN will commit to a joint facility unless given significant incentives.

More importantly, the establishment of an intermodal facility in Winnipeg requires an understanding of Winnipeg's import/export standing and the international trade (current and projected) of the business community. What is notable in the Kansas City and Minnesota reports is the extensive survey undertaken to acquire data to establish demand. The lesson for Winnipeg is that a comprehensive trade-flow database for intermodal traffic is a crucial next step in the process of marshalling private support for an intermodal facility.

Location, Location, Location

The city's catchment area for imports and exports must be determined. The report must detail not only what is coming to and leaving Winnipeg, but what is also passing through the city to other locations. Winnipeg must establish its competitiveness relative to other intermodal facilities. For example, if the air cargo service from Chicago to Monterrey is poor, then Kansas City might provide a more reliable service, even though the route from Chicago to Kansas City is over ten hours by truck transportation. Shippers and freight forwarders will go where the price is conducive, and service is reliable and efficient given the product that needs to be transported. If Winnipeg can offer a better service via an intermodal facility as compared to a locale outside its (Winnipeg's) traditional catchment area, the ability to attract business must be taken into consideration.

One must know what services businesses will have to offer in order to expand existing trade relationships or develop new ones. A survey of large and small firms, as well as a breakdown in specific sectors that are strengths (or potential strengths) within the local and catchment area economy is required. The acceptance of an intermodal facility by the business community will be crucial to the long-term economic benefits that may be derived from it. Researching the data and determining the 'pulse' of the business community is essential. It is from this information that the remaining sections of a feasibility study can, and should be, pursued.

Commitment, More Than Just Words

It is incumbent upon the political and business elite of Winnipeg, prior to the design of surveys, to commit itself to the idea of international trade. The Winnipeg and Manitoba Chambers of Commerce must be solicited for assistance. Both Chambers must make commitments to international trade. At present, the staff support committed to this topic is not sufficient, especially for a business community wanting to expand its international presence through trade and the development of strategic partnerships. In order for companies to become 'trade-knowledgeable' and therefore 'trade-ready', chambers of

commerce must lead their memberships to commit resources, both financial and human. Part-time support of trade committees, and working groups devoid of dedicated staff support cannot be truly effective if the goal is to allow Winnipeg access to the benefits of the Mid-Continent International Trade Corridor.

What We Want, What We Need, What We Can Afford

The failure of the Minneapolis intermodal facility provides a powerful lesson for Winnipeg. Relocation to the site of transportation, trade and logistics-related firms requires buy-in by the participating railways. Minneapolis is concerned with existing, short-term and long-term intermodal lift capacity. Intermodal trends, population and general growth statistics all support the development of a multi-user rail intermodal facility. Eventually, the railways are expected to take the initiative.

San Antonio has decided to go into ‘competition’ with Laredo, Monterrey and Dallas-Fort Worth to be the gateway ITPC for US-Mexican trade.³² This consideration is important for Manitoba. Winnipeg may be the only Canadian city along the corridor, but it should act as if it were in ‘competition’ with US locations, such as Fargo and Minneapolis. Kansas City, San Antonio and Dallas-Fort Worth may be more complementary to Winnipeg because of their location.

Services Provided

Certain cities are capable of expanding in specific sectors of the economy, and/or are able to take advantage of natural assets of various kinds. These unique characteristics will assist in determining what kinds of business could be conducted at an intermodal facility or international trade processing centre. The warehouse, distribution and storage facilities will, therefore, be based upon these calculations, taken in hand with interest shown by companies via the survey collection process.

6.0 SUMMARY

The experience of other cities’ attempts to establish international trade processing centres is valuable for Winnipeg. Kansas City has already taken important steps to maintain and possibly expand its status as the second most important trucking hub in the United States through the implementation of the Tradeway Study. The presence of a local railway company that has a strong interest in the establishment of a trade processing centre is the key to Kansas City’s success. In this respect, Winnipeg is more like Minneapolis, where the need for an intermodal facility is perceived, yet the railways that need to be involved are being run by decision-makers not appreciative of the location’s potential for truck/train traffic.

Winnipeg needs to ‘turn’ either CN or CP into a railway company like Kansas City Southern. A strategy must be devised to compel CN or CP to value a new multi-modal

³² This is one reason why, through the Greater Kansas City Chamber of Commerce, the authors were unable to obtain this document directly.

facility in Winnipeg. To this end, the Kansas City experience once again is indicative of a possible strategy. Kansas City Southern is aware that for it to capture the truck/train trade traffic from Mexico north, it must develop facilities that will lure trade away from its natural rivals, such as Laredo, San Antonio and Fort Worth, as well as Long Beach/Los Angeles. In order to do so, it needed to complete a process that began with the investment in the Mexican rail line. However, the rail line itself was not considered enough to lure this trade. It needed something different. This 'something' different was an international trade processing centre. KCS was convinced that such a facility would enable it to take advantage of its Mexico routing, as well as bring added value to its northern partnership with CN and Illinois Central. A trade processing centre located in the middle of this NAFTA corridor creates a strong synergy between facilities and rolling stock, allowing KCS to become a dominant actor in North-South trade.

Canadian National is not dissimilar to Kansas City Southern in many respects. With the acquisition of Illinois Central, it has developed a strong partnership with KCS in order to take advantage of NAFTA. However, CN must be made aware that the picture is not, and can never be, complete without the presence of complementary intermodal facilities in Winnipeg, to match those already being developed in Kansas City and Monterrey. Because of these latter developments, CN should have a strong interest in the development of a total transportation operation throughout the corridor in order to take the utmost advantage of its partnerships and the reduction of trade barriers via NAFTA. Facilities in Kansas City and Monterrey cannot be complemented without the development of a similar facility in Winnipeg. If, as is expected, trade between the three NAFTA countries continues to expand at a rapid pace, facilities will be required to handle an increase in traffic or else bottlenecks and delays such as those in Long Beach/Los Angeles in 1997 may occur along the corridor. These delays damaged the credibility of the railways, and drove freight into the hands of niche operations and air cargo companies. Further, these delays illustrated the lack of capacity of even the largest intermodal facilities, as trade grows with no end in sight. And these delays give rise to the notion that if they can occur in Long Beach, then so too can they occur along the corridor, where facilities are neither as spacious, nor as prevalent.

Freight will move to the location best able to serve the needs of shippers. If Kansas City is that location because of the development of a trade processing centre, then freight will be diverted there. Likewise, Winnipeg may lose freight because of the lack of intermodal facilities, as well as the seeming lack of interest by the business community to promote aggressively the development of such a facility. This shift could damage the economic well-being of Winnipeg, and that of CN. With an intermodal facility, Kansas City and Kansas City Southern stand to gain hundreds of millions of dollars from the significant increase in truck/train traffic and international trade. Correspondingly, Winnipeg, and possibly CN, stand to lose the same type of traffic if a corresponding facility is not developed.

Conclusion

Winnipeg, in conjunction with Canadian National, has the potential to develop a strategically important and technologically innovative multi-modal multi-user facility. In order to turn this potential into actual development, the business, political and transportation communities must coalesce around a single vision, and commit to funding and implementing this vision. The benefits of NAFTA can be obtained, but only by those who wish to commit the time, energy, funds, and political will to the creation of an intermodal facility.

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Appendix A

International Trade Processing Center Survey Questionnaire

The survey was designed to measure and/or identify the following:

1. Origins and destination of current freight shipments
2. Amount of shipments to/from Mexico and Canada
3. The level of interest the company has in trading internationally
4. Preference for various features that could be included in an international trade processing center
5. Time sensitivity of freight shipments
6. Perceptions of trade processing systems that are currently in place
7. Projected growth of like companies in region
8. Reasons why companies are not involved in international trade
9. Problems companies have experienced with international trade
10. Perceived impact that a trade processing center would have on the region
11. Perceived value of having the site located in Kansas City

QUESTION	<i>FREIGHT</i>	LARGE	<i>SMALL</i>
Percentage of companies who believe that they will experience growth over the next five years	90	89	86
Percentage of companies currently trading internationally	42	69	46
With Mexico	34	33	21
With Canada	44	38	27
Percentage of firms that believe NAFTA is beneficial	27	89	21
<i>What type of international trade are you conducting?</i>			
Importing raw materials	49	36	22
Importing finished goods	51	25	33
Exporting raw materials	54	23	14
Exporting finished goods	72	72	67
Brokerage services		16	11
Percentage of companies interested in increasing their international trade element	57	70	59
<i>What prevents your company from doing so?</i>			
Do not know how	25	16	24
Too complicated	23	16	20
Not enough trained/informed personnel	19	20	21

<i>Current system for processing trade with Canada and Mexico is:</i>			
Complex	46/72	N/A	N/A
Easy	54/28	N/A	N/A
Percentage of companies who state that their shipments are time-based (just-in-time)	81	82	N/A
By how much would your costs decrease with an ITPC present?	9	N/A	N/A
<i>How beneficial would an ITPC be to your business?</i>			
Very beneficial	15	12	09
Somewhat beneficial	35	31	32
Neutral	28	36	38
<i>How do you rate Kansas City as a site for an ITPC?</i>			
Excellent	30	31	30
Good	41	40	39
<i>How important are the following services for an ITPC? (figures indicate 'very important strength')</i>			
Local customs brokers	26	16	15
Currency exchange	30	07	08
Hazardous cargo facility	31	04	04
Information center	44	25	36
International trade consultants	36	11	18
Links to all modes of transport	48	27	24
Customs clearance in KC rather than a port	50	44	30
Advertisement abilities (world trade center)	40	12	15
Paperless processing service	42	08	12
Educational services	50	16	17

Note: See also the material provided by Minneapolis with respect to the survey conducted for its multi-modal facility. A combination of the two surveys would be appropriate, given the similarities of the projects in Minneapolis, and the need for the Winnipeg facility to complement that of Kansas City.