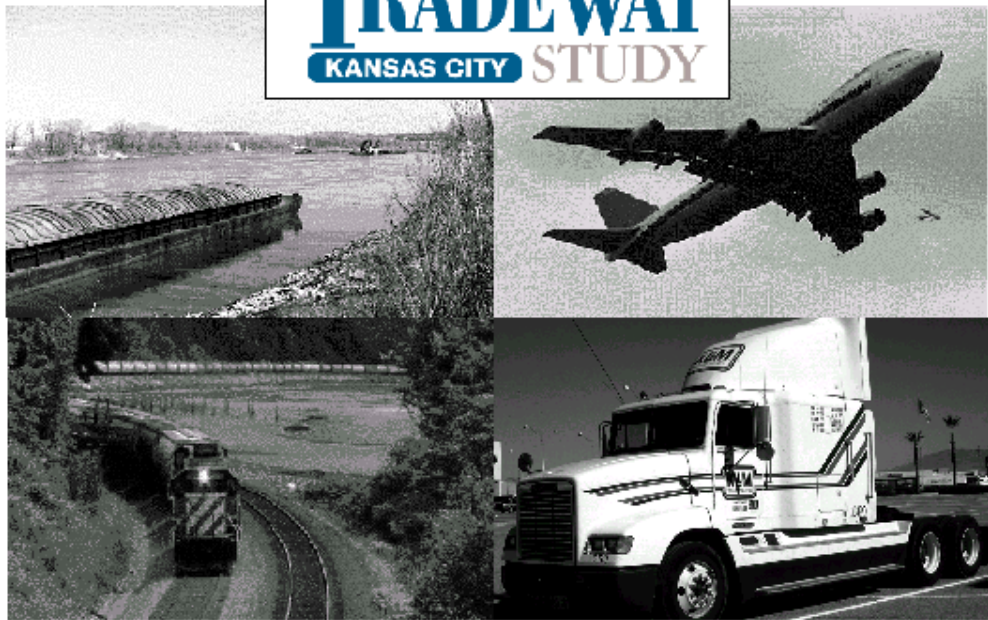


MID-CONTINENT
TRADEWAY
KANSAS CITY STUDY



Executive Summary

Kansas City - International Trade Processing Center Study

for



by



OVERVIEW

Would an international trade processing center benefit Greater Kansas City? And does the metropolitan area have the resources to successfully support the development and operation of such a center?

These and other related questions lie at the heart of the Mid-Continent TradeWay Study sponsored by the Mid-America Regional Council (MARC), the Greater Kansas City Chamber of Commerce and the U.S. Department of the Treasury. An



International Trade Processing Center (ITPC) would be a network of business services, technologies

and facilities where activities and processes are carried out to facilitate international trade for all modes including air, water, rail and commercial vehicle. The



idea behind the ITPC is to automate many of the processes and procedures involved in transporting cargo across a border. Once automated, technology would be used to



implement a program to allow these processes to occur in-land instead of at the border. Efficiencies in the transportation system as well as economic gains could be

realized in a region where there is an ITPC. With its transportation infrastructure and international business community, Kansas City is an ideal location to explore development of a regional ITPC.

The goal of the study was “**to determine the feasibility and the national benefits of establishing the Kansas City region as a place where international trade processing activities can be carried out.**”

The Mid-Continent TradeWay Study concluded that:

- *Greater Kansas City has the physical, technological and human resources to succeed as an international trade processing center;*
- *An ITPC could offer the area several international trade-related benefits, including:*
 - reduced paperwork*
 - streamlined shipping systems*
 - improved manufacturing, distribution and transportation infrastructures*
- *Such benefits would help U.S. companies, especially local ones, trade raw materials and manufactured goods with Canada and Mexico.*

INTRODUCTION

The Mid-Continent TradeWay Study provides a context for understanding how the concept of a Kansas City International Trade Processing Center (ITPC) would have significant positive national and regional impacts.

Some of these impacts stem from the fact that Greater Kansas City’s ITPC conceptually differs significantly from other national efforts.



While many major U.S. cities employ some kind of regional distribution strategy, Kansas City's ITPC focuses on an international plan that provides a seamless flow for cargo traded to, from and among the United States, Canada and Mexico.

The result is a concept that: provides significant national benefits in terms of international trade; offers residual operational benefits to businesses located throughout the North America Free Trade Agreement (NAFTA) trade corridor in all three nations; and stimulates local economic development in the greater Kansas City region.

In addition, Kansas City's ITPC takes advantage of the region's rich multi-modal transportation resources. It emphasizes truck and rail freight based on existing resources, which presents a common benefit to all freight carriers serving the area. The plan's proposed satellite operations also will serve Kansas City International's (KCI's) air cargo users and seasonally operated barges on the Missouri River; the result is a broad multi-modal benefit to the area's economy.

In pulling together these conceptual and resource strengths, the feasibility study details and projects the real and potential trade center benefits to the region's economic

development. It also describes how developing a local flagship center for processing goods — supported by additional sites and the exchange of “virtual” electronic data via computer — would best use Kansas City's resources. The analysis further describes necessary capabilities and possible composition of the administrative entity that would oversee and perhaps further develop the ITPC.

These findings are organized into five separate chapters:

- **Freight Flow** analyzes international freight (by commodity, origin/destination and volume) that moves from, to and through the Kansas City area. (See page 4.)
- **Technology Assessment** describes existing and developing technology required for efficient international trade and transportation processing. (See page 7.)
- **Institutional and Organizational Strategies** identifies local organizations leading international trade development and comparing local efforts with those of other U.S. inland ports. (See page 11.)
- **Policy and Feasibility Assessment** analyzes whether prospective metropolitan area sites that contain necessary resources — such as transportation infrastructure/services, technology and institutions — can support an ITPC. (See page 13.)
- **Implementation Plan** synthesizes the study's findings into short and long-term action items and strategies. (See page 17.)

CHAPTER 1

FREIGHT FLOWS

Greater Kansas City's strategic location and traditional gateway status means that freight flows to, from and through the region already are substantial and support a superior transportation infrastructure.

This was just one of the significant findings of the Mid-Continent TradeWay Study which examined existing and potential facilities, traffic and related issues to determine if Greater Kansas City has the appropriate infrastructure as well as the freight volume to support an international trade processing center.

The Freight Flow Study¹ analyzed imports and exports among Kansas City, Canada and Mexico. Relevant transportation infrastructure includes:

- the interstate highway system (especially Interstates 35, 29 and 70)
- railroads
- waterways

The study traces international origins and destinations of cargo shipments, identifies types of commodities, and measures value and volume of this trade. The report tracks primary transportation modes and corridors, as well as identifies land border crossings, seaports and international airports that carry these shipments. The freight flow study concludes by using current trends to project future trade flows.

MAJOR FINDINGS

Trade Between Canada and the Kansas City Area

The vast majority of area trade with Canada is transported by surface carriers – either truck or rail – although the Greater Kansas City area transports seasonal freight by water and high-value goods by air.

Table ES-1 shows which Canadian provinces trade the most (by weight) with the Kansas City area for each mode of transportation (rail, truck, air and water). For trucked cargo, the primary arteries for the Western Canadian provinces are I-29 (north-south) and I-70 (east-west). Imports from Quebec would travel primarily via I-94/I-35.

Trade Between Mexico and the Kansas City Area

Greater Kansas City trade with Mexico is dominated by rail and truck carriers, with virtually no contributions by air or river. To define major Mexico trading areas and corridors, the study divided that country's 31 states and one federal district into three regions: northern, southern and middle. Table ES-2 shows which Mexican regions trade the most (by weight) with the Kansas City area for each mode of transportation. The major trade route for trucked freight is the NAFTA trade corridor (I-35) crossing into the United States at Laredo, Texas.

¹ Data for this study came from:

- Transearch, a freight flow database that quantified relevant cargo flows by commodity and mode.
- The ETC Institute, which completed more than 800 international trade surveys of companies in three industry groups: freight carriers, large businesses and small businesses.
- The Census Bureau's Exporter Location Series (prepared by the International Trade Administration), that provided NAFTA-related trade data from the past five years.

**Table ES-1:
Exports and Imports Between Canada and the United States
by Transportation Mode**

	Rail	Truck	Air	Water
Exports	Ontario Quebec	Ontario Quebec	Ontario Quebec Alberta	Ontario
Imports	British Columbia Alberta Saskatchewan	Quebec British Columbia Alberta Saskatchewan	Quebec Ontario British Columbia	Ontario



**Table ES-2:
Exports and Imports Between Mexico and the United States
by Transportation Mode**

	Rail	Truck	Air	Water
Exports	Northern Mexico	Middle Mexico	N/A*	N/A*
Imports	Middle Mexico	Middle Mexico	N/A*	N/A*

*Lack of a connecting waterway and scheduled air service made these modes irrelevant.

Regional Trade with a Potential Pass Through Kansas City

The study took a broad view of international trade to identify potential commerce that Kansas City area businesses might capture. It examines U.S. regional trade (by transportation mode) and its potential impact on Kansas City's transportation infrastructure

Dividing the United States into quadrants, the study looked at:

- The Northeast, for import and export trade that could pass through Kansas City via interstate or rail.
- The Southeast, for trade with Western Canada.
- The Southwest, for trade with Eastern Canada.

The study also lists the top five commodities for each route and transportation mode.

Barriers to International Trade

A majority of freight carriers and large and small businesses surveyed would like to increase their international trade. However, all three groups cited the complicated processes involved in international trade. They also claimed that a lack of trained personnel to handle these complexities hindered their international expansion.

Origin and Destination of Shipments

- Freight carriers reported that 7 percent of outbound freight is destined for NAFTA partners and 3 percent of inbound freight originates in Canada and Mexico.
- Large businesses reported that 7 percent of outbound shipments are destined for

Canada and Mexico and 2 percent of inbound shipments originate in Canada and Mexico.

Current Involvement in International Trade

For freight carriers and large and small businesses, Canada was a larger trading partner than Mexico.

- 42 percent of freight carriers reported that they are already involved in some type of international trade.
- 69 percent of large businesses reported that they are already involved in international trade.
- 46 percent of small businesses reported that they are already involved in international trade.

Kansas City as a Site for an International Trade Processing Center

- 71 percent of freight carriers and large businesses rated Kansas City as either an excellent or good location for an international trade-processing center.
- 69 percent of small businesses rated Kansas City as either an excellent or good location.

Delays at Border Crossings

For freight carriers:

- 66 percent who trade with Mexico and 45 percent who trade with Canada said trade processing at the border caused an average delay of 4 hours or more.

For large businesses:

- 48 percent who trade with Mexico and 38 percent who trade with Canada said trade processing at the border caused an average delay of 4 hours or more.



CHAPTER 2

TECHNOLOGY ASSESSMENT

Trade Trends and Projections in the Kansas City Region

- **Exports from Kansas City to NAFTA countries grew by 119 percent between 1993 and 1996 (exports to Mexico grew by 204 percent).**
- Exports from Omaha, Nebraska, to NAFTA countries grew by 132 percent over this period (exports to Mexico grew by 614 percent).
- Exports from Springfield, Missouri., to NAFTA countries grew 38 percent over this period.
- Total exports to Canada from the five states surrounding Kansas City increased by 58 percent between 1993 and 1997.
- Total exports to Mexico from the five states surrounding Kansas City increased by 99 percent between 1993 and 1997.

Among many types of leading-edge technologies, state-of-the art traffic tracking is a necessity to develop an inland international port of entry. That's why **the Technology Study assessed technologies and automated services required to support a “virtual inland port”¹** that would enhance the Kansas City region's presence as an international port of entry. It examined technological solutions that would significantly increase “in-bond”² freight cleared at Kansas City metropolitan area intermodal facilities. Notably, the Kansas City Mid-Continent TradeWay Study Policy Committee also included a “virtual process”³ as a recommendation.

To increase in-bond shipments, the ITPC will leverage technology to better enable goods to travel by truck and rail from international border crossings to Kansas City. The greater metropolitan area will then serve as a virtual international border where U.S. Customs processes the goods.

¹ Border processes occurring at a location away from the actual international border port of entry.

² In-bond freight is an import or export shipment that is physically and legally in the United States, but not yet cleared by U.S. Customs officials.

³ Conducting a process via a computer Internet link or equivalent rather than physical presence.

The study focused on assessing technologies that could support eight user service categories as illustrated in Figure E-1 and described below:

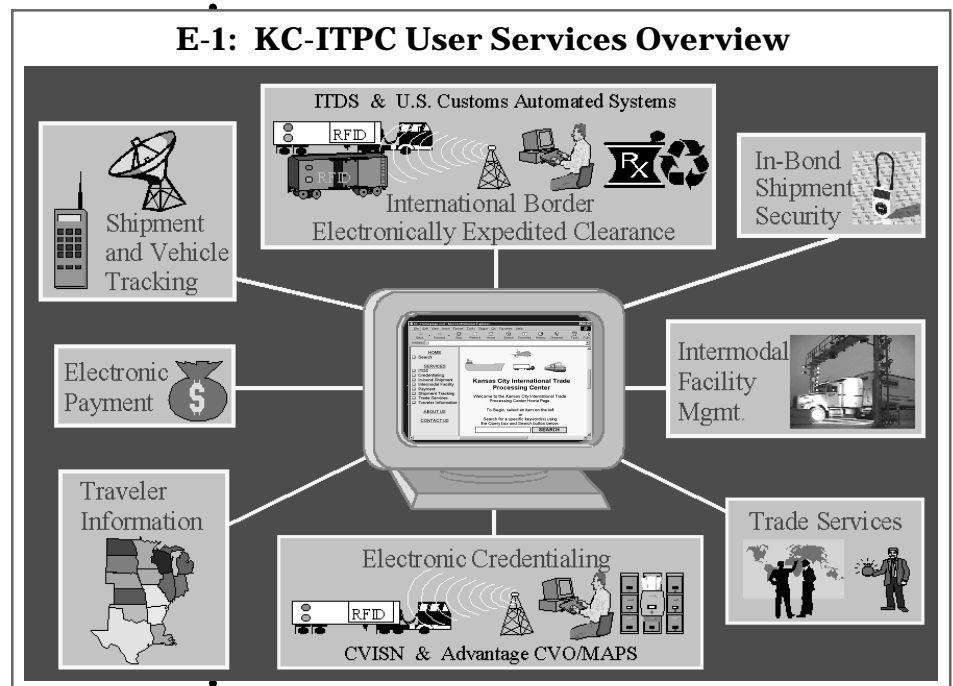
Electronic International Border Clearance. An electronic system, such as the one the International Trade Data System (ITDS) is testing, can make entry into the United States easier for carriers. An ITDS can automatically and accurately identify a carrier, vehicle/train, driver/engineer, and cargo to verify required credentials and clear transponder-equipped vehicles/trains authorized by U.S. Customs.

Electronic Credentialing. The carrier/driver/trader will be able to electronically file, obtain and pay for licenses, registrations and permits required for Commercial Vehicle Operations (CVO) by states and agencies along the NAFTA corridor. (This is consistent with the Commercial Vehicle Information Systems Network [CVISN] program now in development.) Correspondingly, transponder/reader/ weigh-in-motion-based systems will conduct automated clearance across state borders and automated bypass of state weigh stations. These systems allow for more efficient transfer of information, thus saving time and money for the carriers, states and agencies.

Shipment and Vehicle Tracking. Carriers/traders/customers (with the shippers' approved access) and U.S. Customs

inspectors (for in-bond shipments) will be able to track all properly equipped containers/trailers/rail cars in real-time, anywhere on the NAFTA trade corridor.

In-bond Shipment Security. For in-bond cargo, electronic seal technologies will remotely validate the properly sealed closure on a container or trailer at any time.



Intermodal Facility Management. In the Kansas City area, managed transport of trade from intermodal facilities (such as Union Pacific Railroad's rail/truck container transfer facility) will provide advantages of faster trip, just-in-time pickup and delivery, and security for carriers.

Electronic Payment. An electronic payment system accessed on Kansas City's ITPC web page¹ will allow shippers, rail

¹ See "Virtual Function of User Services" section on page 10.

companies, brokers, customers, state and federal agencies, and others to make secure payments of brokerage fees, shipping charges, state tax payments, federal import tariffs, etc.

Corridor-wide CVO Traveler Information. The Kansas City ITPC will provide traveler information via a web page. Intermodal rail yard operators, drivers and others can tap into CVO-tailored information on the Kansas City ITPC web page and on a dial-in menu system separate from the web page. Information on highway construction, weather conditions and urban traffic would be provided.

Trade Services. Value-added trade services can enhance the Kansas City ITPC's web page. For example, Kansas City area brokers could set up links on the page so system users could contract services over the Internet.

TECHNOLOGICAL CORE

The study developed a two-phased approach that deploys various technologies between years 2000 and 2002. Three concepts comprise the technological core of the plan:

ITDS Interoperability. To process customs virtually and to electronically expedite clearance of in-bond shipments, the Kansas City's ITPC system must interface with the ITDS system. Technicians must network and integrate ITDS-related functions so thoroughly that the system's operational functions are transparent to the users. Also, the ITPC must be able to operate existing U.S. Customs systems, such as Automated Broker Interface, even before those systems are integrated.

ITDS will provide:

- *A fully automated system for managing import, export and transit trade processes related to cargo, conveyance and crew;*
- *Management of each shipment transaction, from declaration filing, prearrival processing and arrival processing through release or export clearance;*
- *Support for post-release or post-clearance processes, such as declaration amendments, and may also manage the collection of duties, taxes and fees; and*
- *User-friendly and accessible query and report capabilities for transactions submitted by the trade community.. The filer will be able to access previously submitted data, review the transaction status, and obtain the history of the transaction (i.e., who made what changes to what data and when).*

Expedited In-bond Clearances.

Electronically clearing in-bond shipments among the Kansas City region, Mexico and Canada are essential facets of Kansas City's ITPC's virtual inland port concept. ITDS technologies must allow U.S. Customs and other government agencies to adequately and automatically assess in-bond shipments during transport from Mexico or Canada to Kansas City, in accordance with proper trade procedures and laws.

E-2: KC-ITPC Web Page



Initially, transponder reader stations will be at six locations on major interstates (I-70, I-35, I-29 and U.S. 71) in the Kansas City region and at the ITPC for rail container traffic. This will allow U.S. Customs and other agencies to electronically alert the in-bond shipment vehicle operator if an inspection is required at the centralized ITPC. The ITDS and the ITPC will electronically share information as the in-bond shipment first passes through the ITDS reader at an international border, and then again as the in-bond shipment approaches the Kansas City region.

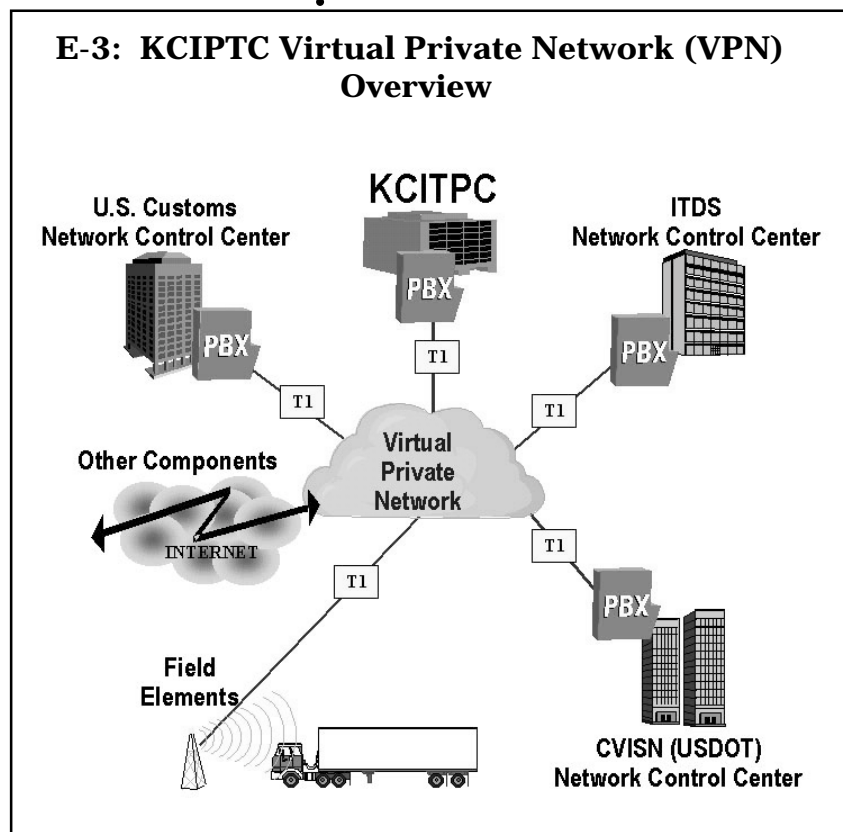
Virtual Function of User Services. For many users, the Kansas City ITPC will be a “virtual function”¹ rather than a physical site. For them, the ITPC will be a

menu-driven information system on the Internet. A fully integrated web page with access to all required systems, information and links will enable customers to use the services previously described. This web site, presented in Figure E-2, must also employ secure password-protected access for sensitive information.

The system architecture would be based on a system of servers and network communications hardware and software. Included would be workstations at required agencies and interests, including U.S. Customs. Communication networking technology would likely be based on a Virtual Private Network (VPN) approach as shown in Figure E-3.

¹ Conducting a process via a computer Internet link or equivalent rather than physical presence.

E-3: KCIPTC Virtual Private Network (VPN) Overview



CHAPTER 3

INSTITUTIONAL AND ORGANIZATIONAL STRATEGIES

Kansas City’s physical and technical capabilities form the framework of a potentially successful ITPC. But the desire to build on that potential must come from local supporters, both public and private.

Therefore, the study inventoried existing institutions and organizations in the metropolitan area to determine if there would be enough interest and manpower to pursue the project.

The Kansas City ITPC would require the support of pertinent and critical trade-related entities – in our case, federal inspection agencies with Kansas City offices, such as customs, agriculture, transportation and immigration. For the ITPC to be effective, these inspection services must be provided on least one ITPC site.

For nonfederal agencies, geography often determines the level of support for endeavors such as an ITPC. However, some private, not-for-profit agencies, such as The Chamber of Commerce of Greater Kansas City, MARC, and the Kansas City Area Development Council (KCADC) are relatively insulated from the limits of state boundaries. Consequently, these entities are essential for implementing and developing the Kansas City ITPC by applying for planning grants, marketing and industry recruitment.

The Chamber-affiliated Heartland Freight Coalition is both a bistate model and a future partner for the ITPC. The Kansas City-based North America’s Superhighway Coalition (NASCO) and North American International Trade Corridor Partnership (NAITCP) also are prospective marketing associates.

Local public entities, such the Economic Development Corporation (EDC) of Kansas City, Missouri, could be a primary contact/partner if the ITPC locates at Richards-Gebaur Airport and/or KCI. Similarly, the Wyandotte County Unified Government would be a logical partner for an operation in its jurisdiction.

INLAND PORT CASE STUDIES

Other inland ports – such as Battle Creek, Michigan; Columbus, Ohio; Indianapolis, Indiana; Louisville, Kentucky; and Memphis, Tennessee – offer insight into administrative and operational features.

While none of these ports include the breadth of activity – particularly, the international clearance innovations – projected for the Kansas City ITPC, they do provide background for developing intermodal complexes and organizing and implementing freight-based development strategies.

The primary transportation modes in the previous ports vary. For example, Kansas City’s ITPC is not projected to be as air cargo intensive as the Federal Express-dominated Indianapolis and Memphis efforts or the UPS-geared Louisville port. Nor does Kansas City’s seasonal river barge service compare with the year-round barge traffic offered by

Louisville or Memphis. However, Kansas City’s rail and truck capabilities are equal or superior to any of these markets.

These ports have successfully leveraged their transportation resources to support distribution and manufacturing expansions by time-sensitive manufacturers and distributors. In addition to efficient transportation, each market has developed warehousing capabilities typically matched with foreign trade zone (FTZ) benefits.

RECOMMENDATIONS FOR ADMINISTRATION OF KANSAS CITY’S ITPC

Greater Kansas City and the other inland ports mentioned share similar distribution advantages, but the proposed Kansas City ITPC greatly contrasts in administration. For example, Kansas City operates its airport system as a department of the City of Kansas City, Missouri, in contrast with the airport authority administration of the other cities.

The City of Kansas City, Missouri’s creation of its port authority, which is an affiliate of the city’s EDC, is more typical of national practices. The port authority’s long-standing operating contract with the private Mid-West Terminal Warehouse Company is also typical of common inland port practices.

Most inland river ports are legal entities of a state with a charter held by a city and/or county. However, some successful inland river ports are privately owned and managed. An authority or a commission may govern a publicly owned port. In general, an authority has more management and legal autonomy than a commission. Its managing body usually includes a board of commissioners

comprised of appointed citizens and a paid staff under a port director’s control.

Because of the number of businesses operating on both sides of the Kansas/Missouri state line, a bistate organization would best direct initiatives and plans of Kansas City’s ITPC. Until ITPC officials have selected physical sites, bistate input will be essential. Even if the earliest proposed sites are all located in one state, ITPC technology uninhibited by administrative limitations could later extend to sites across the state line.

Based on the Kansas City area’s geographic division and population distribution – combined with governmental requirements – the proposed ITPC board/commission should have members from the private and public sectors to ensure that public responsibilities and market forces are considered in ITPC policies. Ideally, members should be familiar with regional transportation and development issues. In addition to setting policy, the administrative entity must seek funding and grants from federal, state and local government. This administrative entity also would likely employ professional operators for the ITPC center.

INSTITUTIONAL CHALLENGES AND OPPORTUNITIES

The Kansas City ITPC’s most obvious institutional challenge is determining who will own its facilities. ITPC site selection must address using as many existing operators in the metropolitan area as possible and providing optimal, practical access to all carriers and transportation providers (rail & truck), which highlights the need for a virtual component to the ITPC.

Development at a public facility may introduce parochial and jurisdictional issues. If most or all ITPC operations were on one side of the state line, the effort could lose area-wide support critical to achieving economies of scale. Publicly owned facilities also depend on the willingness of local governments to consider input from a prospective bistate coalition.

In addition to bistate concerns, operators must also address regional competition in other NAFTA corridor cities, such as Des Moines, Iowa, and Tulsa, Oklahoma. To fully take advantage of the area's freight movements, the ITPC must add value to freight transfers moving *through* the metropolitan area. For example, local labor could consolidate, process or repackage commodities moving between Mexico and the U.S. Northwest or between Canada and the U.S. South.

REGULATORY ISSUES

While ITPC operators and area allies should influence their regulatory environment as much as possible, they can only marginally affect many regulatory challenges. Federal trade regulations can rarely be tailored to local initiatives.

However, one adaptable issue is allocation and location of federal agents. When the ITPC increases locally processed international trade, U.S. Customs and the Department of Agriculture may need to increase their local manpower. Gaining agents and operations requires a coordinated, effective lobbying effort at the federal level.

On a procedural level, cross-border alliances encourage uniform requirements for

insurance, commercial documentation, agricultural certification and transportation equipment restrictions. Such matters will more greatly affect Kansas City's ITPC when industry and national policies evolve, resulting in neither a competitive advantage or disadvantage for local operators.

CHAPTER 4

POLICY AND FEASIBILITY ASSESSMENT

After measuring the pros and cons, is Kansas City a candidate for a successful ITPC? This section weighs resources identified in previous chapters against requirements – and draws positive conclusions.

ITPC models include various operational and institutional scenarios, functions, services and technologies. This section also examines locations, services, technologies, funding and modal capabilities, then presents an institutional framework for ITPC operations appropriate for Kansas City.

KANSAS CITY REGION'S BUSINESS AND FREIGHT ENVIRONMENT

The ETC Institute's surveys of businesses in the Kansas City area revealed a strong desire by freight carriers and large and small businesses to increase international trade.

The freight flow study detailed in Chapter 1 identified commodities, modes of transport and most common routes for U.S. trade with Canada and Mexico. Freight trucked between Kansas City and Mexico typically travels on

I-35 and crosses at the Laredo, Texas border. Annual gross tonnage for trucked freight was about 176,000 tons. Several rail lines have access to the Mexican rail routes, and Kansas City Southern has recently purchased a portion of the Mexican National Railway. Other rail lines have marketing alliances with



Mexican and Canadian rail carriers for transporting goods via the railroad. Annual gross tonnage for rail freight was about 260,000 tons.

For both imports and exports trucked between Kansas City and Canada, freight typically travels on the I-35/I-94 corridor crossing in Detroit, Michigan, and the I-35/I-29 corridor crossing in Winnipeg, Ontario. Gross annual tonnage for trucked freight more than 1 million tons.

A typical federal inspection station inspects five to ten percent of international shipments traveling via truck. This rate would result in an ITPC inspecting about 23 to 45 trucks each workday.

From 1993 to 1997, total exports from the five-state region surrounding Kansas City increased by 58 percent to Canada and 99 percent to Mexico. The surveys indicated that area businesses and carriers are aware of this growth and a majority believe NAFTA has generally had a positive impact on them.

Using surveys and individual interviews, this analysis identified functions and services that

area businesses want in an ITPC. It projected general impacts of an ITPC, but no one can precisely determine those affects until a site is selected. Once a location is chosen, further analysis can weigh potential impacts of additional international traffic, including local traffic congestion, cost of land development, and potential dislocation/relocation of businesses.

TECHNOLOGY

In determining feasibility, this assessment considers the ability of an inland port like Kansas City to effectively adapt technology and operations currently implemented only at international borders. Ultimately, this requires many technological solutions that would increase the volume of freight brought in-bond to the ITPC. By installing appropriate technologies, many in-bond shipments would be transported by truck and rail through the international borders to Kansas City. The latter would then serve as a virtual international border where federal inspectors would process the goods and admit them into the United States. Given the extensive existing and developing technology, which was discussed in Chapter 2, Kansas City's ITPC could effectively operate using federal databases, technology and procedural regulations.

SERVICES

Large and small businesses and freight carriers require more than a new filing system to make the ITPC beneficial. Feasible operating and administrative aspects of a prospective ITPC would include an on-site bank, which would conduct traditional retail banking transactions and international letter of credit processing. Also, if federal inspections and transportation services would

locate at the ITPC, so would customs brokers and freight forwarders.

Depending on the site eventually selected, a FTZ designation may already be in place. A World Trade Center (WTC) designation would be beneficial to the metropolitan area, but WTCs normally locate in central business districts, not freight districts.

While the current volume of operations strains local offices of U.S. Customs and the U.S. Department of Agriculture’s Animal and Plant Health Inspection Service (APHIS), locating these operations at the ITPC is essential. Presently, inspectors use the container examination station of the Kansas City Piggyback facility (in the Hunt-Midwest complex) or Customs’ Rock Creek location. KCI satellite operations serve air cargo users.

TRANSPORTATION-RELATED INDUSTRIAL DEVELOPMENT

To assess maximum economic development potential and weigh potential land constraints, this section projected potential industrial development that could result from an ITPC. Industrial trends toward just-in-time manufacturing, time-definite deliveries and intermodal transportation are key to identifying likely ITPC prospects. Initial related development may be distribution centers, but in many markets distribution activities lead to incremental expansions, including call centers, sales offices and repair/return centers. Many distribution companies expand to include on-site assembly and manufacturing operations. An ITPC also may create collateral transportation maintenance jobs for rail and truck operators.

ULTIMATE ECONOMIC IMPACT

The ITPC’s primary innovation is providing seamless flow for cargo traded among the three North American markets. This emphasis on international commerce distinguishes Kansas City’s ITPC from more common distribution efforts. The proposed ITPC would benefit all freight carriers serving the Kansas City area, not just certain carriers like at other inland ports. As for freight moving *through* the Kansas City area, rather than just local origin/destination freight, an ITPC will provide a unique regional benefit.

ITPC SCENARIOS

The study’s policy committee, comprised of members from the public and private sectors, endorsed the concept of a centralized trade-processing center with virtual components. This scenario uses technology to allow pre-filing and customs activities at multiple locations, thereby capitalizing on Kansas City’s vast existing infrastructure and facilities.

This virtual concept allows for expansion to complementary sites at Canadian and Mexican facilities. It maximizes the use of the many rail yards, intermodal yards, and trucking companies in Kansas City while minimizing required infrastructure investments. It provides the greatest flexibility for further development of new concepts to enhance the trade-processing center while emphasizing the use of existing and developing technology.

The Center

The central area, or main trade-processing center, would include one to four buildings

that house the administrative staff of the ITPC. It would also provide office space for federal inspection agencies, brokers, freight forwarders, etc.

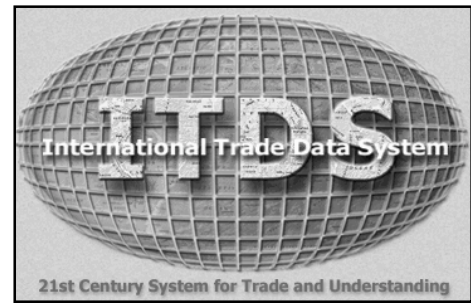
The center must facilitate a seamless transfer of goods between prospective rail and truck operators. Available land and contiguous space should provide sufficient expansion opportunities for allied trade and transportation service providers and space for light manufacturing and distribution facilities.

Sites that were considered include (in alphabetical order):

- *Hunt Midwest/KC Piggyback (Kansas City, Missouri)*
- *Kansas City International Airport (Kansas City, Missouri)*
- *Kansas City (Railway) Terminal (Kansas City, Missouri)*
- *Kansas Avenue/Interstate 635 (Kansas City, Kansas)*
- *New Century AirCenter (Johnson County, Kansas)*
- *Richards-Gebaur (Kansas City, Missouri)*
- *Rock Creek (Kansas City, Missouri)*
– U.S. Customs Port

Air Freight at KCI Airport

An ITPC operation at KCI could use existing agents from U.S. Customs, APHIS and U.S. Immigration and Naturalization Services. KCI offers several sites that provide easy access for commercial trucks arriving for inspection. With several thousand acres of available land, KCI provides sufficient



development opportunities to support expansions by allied trade and transportation services. It also offers the benefit of having approved FTZ status.

Virtual Components

For truck and rail traffic approaching Kansas City, companies participating in the ITDS program will have virtual capability allowing in-bond shipments to proceed directly to their destination.

The virtual component of this system will use technology on the interstate, in the truck cab and on a rail container. Essentially, a truck or rail container carrying an in-bond shipment crosses the border at Detroit, Michigan, or Laredo, Texas, and is logged into the system. This creates a shipment record (a trip load number) and the load proceeds to Kansas City. For goods traveling by truck a reader at one of six interstate locations in the Kansas City metropolitan area notifies the driver via an in-cab transponder with a green or red indicator (“go” or “no-go”). If the truck signal is green, the truck is cleared through customs and may proceed to its destination. A red light indicates that a stop is required for customs inquiries. The driver notifies his dispatcher, who in turn directs the truck to the main ITPC center or a satellite center for inspection. The process would be similar for shipment traveling via rail only the intermodal yard operators would be receiving the status of the international cargo.

CONCLUSIONS

Kansas City is the second largest rail hub in the nation, largest air cargo hub in a six-state region, and located at the intersection of I-35, I-29 and I-70. All these factors would support the proposed ITPC's goal of providing seamless flow for cargo among the United States, Canada and Mexico.

While concentrating on the area's strengths in rail and truck transportation, the ITPC will benefit seasonal barge trade and air cargo operations. Unique among U.S. inlandport efforts, Kansas City's ITPC would primarily use existing infrastructure.

Ultimately, the ITPC can potentially strengthen our regional and national economies by improving how international trade is conducted and processed. Given the Kansas City area's existing infrastructure and economic environment, the proposed ITPC will attract necessary private and public resources to benefit commerce locally and internationally.

Furthermore, the metropolitan area could support and implement a cohesive bistate effort to develop a new ITPC facility (or facilities) as part of a comprehensive distribution effort located at a main processing center and satellite facilities.

CHAPTER 5

IMPLEMENTATION PLAN

INTRODUCTION

Given prior recognition that the Kansas City area can feasibly implement and support an International Trade Processing Center (ITPC), the Implementation Plan determines a course for phased development invoking both short term and long term strategies.

APPROACH

The developers of the ITPC must meet several critical short-term goals. Implementation is dependent upon the establishment of federal inspections and will require the successful recruitment of federal agencies to the site(s). At a minimum, the ITPC must offer inspections and certifications by U.S. Customs and the U.S. Department of Agriculture's Animal & Plant Health Inspection Service (APHIS). In addition, the ITPC should coordinate with the U.S. Department of Transportation and the Immigration and Naturalization Service (INS).

In addition, the ITPC must attract transportation providers from multiple modes. Developers must recruit anchor rail and truck carriers to serve the central location. The presence of federal inspections and transportation services will lure complementary operators, including a commercial bank, multiple freight forwarders and customs brokers. Ultimately, the culmination of these services should attract time-sensitive manufacturers and distributors to the area.

PHYSICAL FACILITIES

To be an effective anchor for the ITPC system, the physical operation must efficiently facilitate federal inspections, as well as transfers of goods between private sector rail and truck operators. In addition to the carrier-related freight operations, the ITPC sites must be conducive for development by manufacturers and distributors.

TRADE TECHNOLOGIES

Freight and Rail carriers participating in the International Trade Data System (ITDS) program will be equipped with a technological capability that allows routine in-bond shipments to proceed directly to the import buyer/user. Previously described in the technology components of this study, much of the technology required for the ITPC already exists and may be applied to the ITPC with little or no adaptation.

MARKETING & PUBLIC OUTREACH

In marketing its services and facilities, the ITPC's operators will have multiple key target groups. Most importantly, the ITPC must have the participation of freight carriers - primarily rail and truck, secondarily air and barge. The ITPC must also cultivate the support of freight forwarders, customs brokers and public warehouse operators. The most essential service providers will be the federal inspection agencies. The ITPC's operators must also reach beyond the service providers and facilities operators to cultivate key shippers - manufacturers and distributors. The ITPC must also have the support of the general public to gain key governmental support and cooperation.

OTHER CITIES/STATES

Given the benefits accruing to businesses throughout the corridor, the KC-ITPC should cultivate the greatest practical level of support from other local governments in the region. The key to this support is likely to derive from mutual associations, including the North America's Superhighway Coalition, the Summit of Mayors and numerous governmental associations. Partnerships between chambers of commerce, international trade clubs, and even universities may also generate cooperation.

ACTION PLAN

This section will identify the short-term tasks required for development of the ITPC and indicate the appropriate agents to implement/initiate the action plan and secure/solicit funding.

Action # 1 - Formation of the ITPC System Sponsor

Beginning immediately The Chamber, MARC and the Kansas City Area Development Council (ADC) shall jointly explore and determine the entity that will sponsor the ITPC, referred to from here on as the ITPC System Sponsor. This ITPC System Sponsor will be responsible for the development and implementation of the short-term action items set forth in this document. The ITPC System Sponsor must be familiar with the local and regional freight environment and international trade atmosphere. The ITPC System Sponsor will act in a bistate public capacity to provide sustained, focused, and skilled leadership for implementation of the ITPC concept.

Role of the System Sponsor:

- * Advocacy for public investments and policies conducive to implementation of the ITPC system;
- * Development of the center and related facilities;
- * Coordination of operations of ITPC systems;
- * Marketing to prospective commercial users of the ITPC;
- * Marketing of the property in and around the center and related facilities.

The ITPC System Sponsor must be capable of:

- * accepting contractual obligations;
- * accepting and managing public funds;
- * Pursuing additional federal, state and local public funds and private resources for further analysis and investment in the ITPC.

Action # 2 – Outreach

The outreach effort will have involvement of those individuals currently on the Policy Committee in an advisory capacity. The effort will garner community support of the ITPC concept. In addition, the Outreach will facilitate receiving local, state, and federal funding for various defined tasks as part of the overall implementation plan of the ITPC. The outreach program will begin immediately with a target audience including:

Elected Officials

The General Public

General Businesses

Trade Associations (Freight, International Trade & General Business)

Action # 3 - ITPC Facility Plan and Framework

The ITPC System Sponsor will collaborate with the Chamber, MARC and the ADC to pursue additional public funds and private resources for further analysis and investment in the ITPC. First, this team must complete the site selection for the ITPC centralized component. Then, an area impact study must be completed to study land use and traffic issues.

Action # 4 - Technology Implementation

The major technological requirements will include a central computer, deployed reader systems (readers and reader antennas), and structures (where required) to support the reader systems. The virtual system will be deployed at six interstate sites surrounding Kansas City. Installation of readers is assumed to occur on mainline pavement. Costs are for deployment only, and do not include costs for system design, development and testing. This action item will require extensive coordination with KDOT, MoDOT and U.S. Customs (Treasury).

Action # 5 - Planning, Design, Construction of the ITPC - Physical Facilities

For the physical facilities, completion of site selection will initiate the design and construction phase. This phase will include the development of detailed requirements for the center and related facilities, including site layout, design requirements, budgets and specific operating requirements through construction. The plans shall include buildings, docks, technology, storage, and expansion plans. Detailed design plans,

specifications and cost estimates will be included.

Action # 6 - Funding Sources/ Long Term Financial Strategies

The ITPC System Sponsor will be responsible for obtaining funds to design the ITPC and make the facility operational. Multiple funding sources exist at the local, state and federal levels. Funding will include potential user fees (levies) to fund operations and maintenance.

Additional sources of funding include:

ITS-America
Federal Earmark
Federal Demonstration Money
Economic Development Administration Grant (Department of Commerce)
U.S. Treasury Department (for Customs facilities)
U.S. DOT Tea-21 Funding
1118- National Corridor Planning & Development Program
1119- Coordinated Border Infrastructure & Safety Program
State STP Funding
State CMAQ Funding

Action # 7 - Marketing/Business Plan

The ITPC System Sponsor shall develop a marketing plan with a purpose & overview consistent with the overall objective and strategies of the ITPC. The marketing plan would need to be in place and operating before final construction begins. Marketing targeted to the users of the facility including:

Carriers (all modes)
Forwarders & Brokers
Shippers
Federal Agencies

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