Chapter Three

INSTITUTIONAL & ORGANIZATIONAL STRATEGIES

3.0 Introduction

3.1 Entities Involved in International Trade

3.2 Inland Ports-Case Studies

3.3 Institutional Challenges & Opportunities

3.4 Regulatory Issues

3.5 Summary & Recommendations

3.6 References
3.0 Introduction

The objective of this component of the report is to assess the institutional and organizational requirements to provide enhanced international trade processing capabilities in the Kansas City area. This analysis begins with an inventory of existing trade-related institutions and organizations - federal, state and local - operating in the Kansas City area. This inventory provides the basis for identifying prospective leaders and partners in implementing the recommendations of this study. While some of these entities - particularly the federal inspection agencies - may provide operational capacity at the proposed ITPC, other local entities may provide marketing support or other support functions. These prospective relationships are explored further in the Implementation Plan.

The next section is the presentation of case studies demonstrating the administrative and operational composition of five other “inland ports”. These examples provide insight into the institutional and organizational strategies that have been effective in comparable markets. Next, the study details some of the institutional challenges and opportunities that may influence the development of the proposed ITPC. This exploration leads into a separate analysis of regulatory issues - mostly national and international - that could impact the effectiveness of the ITPC.

Having assessed the existing resources, challenges and opportunities facing the proposed ITPC, this component concludes with recommendations for the institutional/organizational composition of the ITPC. These recommendations draw equally from the assessment of local entities, as well as the insights gained from studying “inland port” efforts in comparable markets. The recommendations are supported by estimates of the public and private costs of each strategy.

3.1 Entities Involved In International Trade

To identify key strategic partners and potential operators, an inventory was completed noting public and private sector institutions and organizations currently involved in international trade issues in the Kansas City area. University and networking organizations are presented separately. In the public sector, institutions were reviewed at the city, state and federal levels. The private, not-for-profit entities include chambers, economic development organizations and transportation coalitions. For both the public and private sectors, detailed descriptions were limited to entities involved in international trade - including relevant international transportation initiatives - on a “day-to-day” basis.

This inventory provides the basis for some of the institutional recommendations contained at the end of this component, as well as the Implementation Plan. The ultimate effectiveness of the ITPC may largely depend upon the ability to re-locate federal inspection agencies to the site(s). Other existing trade resources may be less essential on-site but integral to the overall effectiveness of the Kansas City area as an international marketplace. While some of the
existing public and private, not-for-profit entities pose cooperative marketing possibilities, other entities may be relied upon to bridge the progress of the ITPC’s development between the conclusion of this study and the possible creation of a new administrative entity. This study assesses the existing entities as resources to support the proposed ITPC. Other efforts\(^1\) are underway to improve the manner and effectiveness with which these entities interact.

### 3.1.1 Public Sector Entities

Several local governments include international trade promotion and investment recruitment in their comprehensive development efforts. Participants in the most recent Summit of Mayors included the Cities of Belton, Bonner Springs, Kansas City (MO), Overland Park, St. Joseph, as well as Cass County and the Wyandotte County/Kansas City, KS Unified Government. Huge local investments by international businesses like Bayer (Shawnee, KS) and Hoechst (Kansas City, MO) have greatly escalated the interests of local elected officials and their constituents. Unlike other major U.S. cities, none of the local municipalities or counties has institutionalized a full-time international position.

**City of Kansas City, Missouri**

The City of Kansas City, Missouri’s FOCUS (Forging Our Comprehensive Urban Strategy) plan emphasizes transportation and the global economy in guiding the next 25 years of the city’s development. The two primary vehicles for the City’s involvement in international trade are the North American International Trade Corridor Partnership (NAITCP) and the Economic Development Corporation (EDC). While many local governments participate in the NAITCP’s Summits of Mayors, the City of Kansas City, MO was a founder of that organization and has the most continuous involvement in international trade development.

The not-for-profit *Economic Development Corporation of Kansas City, Missouri* promotes economic development, facilitates redevelopment and provides business retention services for Kansas City, Missouri. Among its “Business Retention and Expansion Services”, the EDC offers assistance in obtaining export credit insurance, export finance, trade leads and overseas agents and distributors. An EDC-affiliated agency *The Port Authority of Kansas City* is responsible for the development and improvement of the Missouri riverfront. Through the Port Authority, private companies wanting to locate or expand operations along the riverfront can receive Port Authority assistance with site development and financing. If the prospective International Trade Processing Center would be located at one of the public facilities in Kansas City, MO, the EDC may be a natural agent to participate in the implementation - either through an existing program or a new

\(^1\) In August 1998, an effort to improve coordination of area resources was presented in “Toward An International Strategy” introduced by four area not-for-profit organizations: the Mid-America Regional Council, Greater Kansas City Chamber of Commerce, Economic Development Corporation of Kansas City, Missouri and the International Relations Council.
affiliate. The EDC has provided leadership in the ongoing Richards-Gebaur project and retains many of the capabilities required to advance the ITPC.

Located at the juncture of the Missouri River and the Kansas-Missouri state line, The Port of Kansas City, Missouri is the largest storage and distribution center serving the Missouri River. The City’s only public barge distribution facility, the port is a true intermodal facility transferring dry bulk products between barge, rail and truck. The port is served by the Union Pacific Railroad and by principal barge lines from March through November. Since 1948, Mid-West Terminal Warehouse Company has operated the terminal through a long-term lease with the City of Kansas City, Missouri. The Port Authority works cooperatively with Mid-West Terminal to identify and pursue funding sources for improvements to the port facility.

Mid-America Regional Council (MARC)

MARC serves as the association of city and county governments and the Metropolitan Planning Organization (MPO) for the bi-state Kansas City region. In its role as the MPO, MARC receives federal transportation planning funds to develop regional transportation plans and programs and to coordinate technical and policy studies on a wide range of transportation issues. The regional transportation planning process is carried out in cooperation with the Kansas Department of Transportation (KDOT), the Missouri Department of Transportation (MoDOT), local governments and transit providers. The process is carried out in accordance with the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. MARC, the Greater Kansas City Chamber of Commerce and the US Department of Treasury formed a partnership to matriculate the International Trade Processing Center study. Should further transportation studies be required to support the ITPC, MARC would be a natural participant.

Missouri Department of Economic Development

While based in Jefferson City, MO, the State of Missouri’s International Marketing Office maintains a regional office in Kansas City and international trade and development offices in Guadalajara, Mexico, Mexico City, Sao Paulo, Brazil, Santiago, Chile, Taipei, Taiwan, Seoul, Korea and Tokyo Japan. The Guadalajara, Mexico office is the lead office for Latin America. While the Department of Economic Development concentrates primarily on manufactured products, the Missouri Department of Agriculture’s Market Development Division’s International Marketing Program comparably assists Missouri’s agricultural businesses.

The basic services provided by the Office of International Marketing and their overseas offices include: (1) basic market research, (2) market counseling, (3) corporate matchmaking, (4) coordinate trade missions, (5) trade show assistance, (6) locate corporate services, (7) business library and (8) general administrative assistance at foreign offices. In
addition, the Department operates the Trade Opportunity Program matching hundreds of monthly trade leads with Missouri businesses. The Department also publishes a “Made In Missouri” catalog for foreign distribution and a “Missouri Export Directory” for both local and foreign users. In 1995, Governor Carnahan established the Missouri Global Partnership - a public/private advisory council to establish goals and implement programs assisting Missouri businesses to capture international markets. It is anticipated that the State of Missouri would be supportive of the ITPC as an initiative to enhance the international trade competitiveness of Missouri businesses. Presently, the State’s international trade representative is housed at the Kansas City Chamber and it is unlikely that this office would need to be moved to the ITPC.

Through the Missouri Development Finance Board, the State of Missouri offers trade finance and export credit insurance to Missouri exporters. The Finance Board assists Missouri businesses in preparing applications for pre-export working capital loan programs from the U.S. Export-Import (Ex-Im) Bank and the U.S. Small Business Administration. During the period of July 1997 through December 1997, the Missouri City/State Program assisted approximately 75 Missouri companies in obtaining $4.8 million in loan guarantees, $7 million in export credit insurance, and $201 million in other export finance products.

Kansas Department of Commerce and Housing

The Trade Development Division - based in Topeka, KS - provides assistance to Kansas companies beginning or expanding their international marketing efforts. The Division also leads the State’s efforts in recruiting foreign direct investment to Kansas. Export promotion includes: (1) Providing firms with international marketing counseling, (2) Performing market research, (3) Identifying agents and distributors overseas, (4) Distributing foreign trade leads, (5) Coordinating marketing promotions with federal and foreign agencies, (6) Conducting export seminars, (7) Recruiting and assisting company participation in international trade shows, (8) Organizing and leading overseas trade missions, and (9) Hosting foreign delegations. Staff members use the resources of the State’s overseas contract offices in Europe, Australia/Southeast Asia, and Japan to support the Division’s export promotion and foreign investment recruitment programs. The State of Kansas offers targeted programs for agricultural and livestock exporters through their Agriculture Products Development Division. Although the State of Kansas would more enthusiastically support ITPC operations located on the Kansas side of the state line, Kansas development agencies have consistently supported Kansas City’s freight efforts - recognizing that the metropolitan area’s transportation resources are assets to businesses located in Eastern Kansas.

Within their Business Development Division, the Kansas Department of Commerce & Housing operates the Export Loan Guarantee Program. In cooperation with private lenders, this program provides Kansas lending institutions a 90% guarantee for pre-export loans to Kansas exporters. While this program is limited to a $300,000 maximum guarantee, the
Department has a co-guarantee program with the U.S. Small Business Administration that can considerably increase the guarantee amount.

**North American International Trade Corridor Partnership (NAITCP)**

Established in 1997, NAITCP includes representatives from municipalities, chambers of commerce, economic development agencies, private business and educational institutions. NAITCP hopes to create a competitive advantage for businesses operating throughout the Interstate 35 Corridor by internally coordinating trade efforts and improving freight flows across the two international borders. Throughout the year, the NAITCP holds several meetings which culminate in the annual Summit of Mayors. During the most recent Summit, the delegates agreed to establish a permanent office in Monterey, Mexico to provide coherence and continuous activity to the organization’s aspirations. Participants in the most recent Summit of Mayors included the Cities of Belton, Bonner Springs, Kansas City (MO), Overland Park, St. Joseph, as well as Cass County and the Wyandotte County/Kansas City, KS Unified Government.

**U.S. Department of Commerce: U.S. & Foreign Commercial Service/ITA**

The U.S. Department of Commerce operates a Kansas City District Export Assistance Center as part of the Department’s global network of offices. While this office is instrumental to the area’s trade development efforts, these services need to be located where they are most accessible to the business community - not necessarily the ITPC. Through the local office, the U.S. Department of Commerce offers area exporters the following services:

- Basic market research on a product and/or country basis.
- Identification of best prospects for U.S. exports to a specific country.
- Trade opportunity leads available through the Department of Commerce’s electronic bulletin board and published daily in the Journal of Commerce.
- Assistance in finding agents or distributors overseas.
- Counseling on marketing, financing, shipping, and documentation requirements related to exports.
- Seminars and workshops on topics related to exporting.
- International reference library with a wealth of resources and information for the new-to-export firm.
• Publication of Commercial News USA to promote U.S. innovative and industry-
specific products for overseas distribution.

• Publication of “A Basic Guide to Exporting” which is an excellent resource for new-
to-export firms.

• International Company Profile (ICP) provides credit and reputation reports on
foreign firms.

• Promotion of U.S. firms’ participation in overseas events such as trade fairs, trade
missions, matchmaking trade delegations, and catalog shows.

• Foreign Buyers Program - Promotes important U.S. trade shows to foreign buyers to
further export sales.

• Assistance in trade dispute resolution.

• Foreign Traders Export Mailing List - The mailing lists are available for a specific
country or worldwide and help identify overseas agents, distributors, importers and
manufacturers.

U.S. Small Business Administration

The U.S. Small Business Administration maintains a district office in Kansas City, MO and
an International Trade Officer in Kansas City, KS. SBA can draw upon its own national
network of resources or direct businesses to the appropriate export programs of the U.S.
Departments of Commerce and Agriculture. Locally, SBA works cooperatively with the
Economic Development Corporation of Kansas City, MO, the Kansas Department of
Commerce & Housing and the Missouri Department of Economic Development. These
inter-agency programs link area businesses with the SBA’s two export loan guaranty
facilities: the International Trade Loan Program and the Export Working Capital Program
(EWCP). Functioning on either a transaction or revolving basis, these two programs
provide exporters with short or long-term financing. While capable of linking with other
local and federal resources, SBA has developed its own counseling programs, seminars and
publications to target the export needs of small businesses. SBA’s capabilities would be
promoted to area exporters utilizing the ITPC, but it is not essential that these services be
re-located to the Center.

U.S. Department of the Treasury: U.S. Customs Service

In the Kansas City area, the U.S. Customs Service operates primarily from local
headquarters in North Kansas City but also operates a satellite office at the Kansas City
International Airport. Customs agents will inspect containers at either of their office
locations, as well as the premises of Kansas City Piggyback, Inc. in Kansas City, MO. The primary function of the U.S. Customs Service is the regulatory operations thoroughly discussed in the technology assessment section of this report. While the regulatory (inspection and duty collection) functions are the main priority, Customs also provides importers with counseling on various aspects of importation and participates - in some cases, sponsors - a number of local import seminars every year. Customs also publishes “Importing into the United States” to serve as a guidebook for import novices and maintains a reference library for public viewing. While a more detailed explanation of Customs’ operations is included in other parts of this study, it is worth noting here that the existence of federal inspections - particularly Customs and Agriculture - will be essential to the effectiveness of the proposed ITPC.

U.S. Department of Agriculture

USDA operates much of its export assistance program through its Agricultural Marketing Service (AMS) program. AMS researches and publishes a considerable number of commodity and country-specific export guides, as well as numerous manuals for the transportation and distribution of agricultural products. The USDA’s Shipper and Exporter Assistance program has been developed to provide U.S. agricultural exporters with comprehensive assistance in exporting - from market identification through finance and regulation/certification requirements and finally, foreign distribution. To facilitate the initial sales contacts, USDA processes international trade leads and maintains foreign buyer databases, as well as maintaining a U.S. supplier database for use by prospective foreign purchasers. The Foreign Agricultural Service (FAS) operates within the framework of USDA to identify trade barriers and opportunities to expand U.S. exports of agricultural products. FAS also cooperatives extensively with state and local export assistance agencies to facilitate efficient exportation of U.S. agricultural products.

To keep U.S. exporters informed of the import requirements maintained by foreign governments, USDA provides the Food & Agricultural Import Regulations and Standards (FAIRS) reports. The USDA Animal & Plant Health Inspection Service (APHIS) is primarily responsible for protecting U.S. agriculture from the importation of infected livestock and plant products, but also assists exporters by providing inspection and certification services to ensure that exported products will meet foreign import requirements. The USDA’s Agricultural Marketing Service provides scientific testing and quality grading/certification services to meet foreign buyer requirements. For some products, USDA’s Food & Drug Administration (FDA) may be required to issue Export Certificates. As previously noted, both APHIS and Customs inspections will be essential to the effectiveness of the ITPC.
Departments of Transportation (Federal & State)

The U.S. Department of Transportation (USDOT), Federal Highway Administration (FHWA), the Missouri Department of Transportation (MoDOT), and the Kansas Department of Transportation (KDOT) all have the mission of providing safe and efficient highway infrastructure. The FHWA is working with their customers and partners, to keep America moving safely, comfortably, economically, and without harm to our environment. Their mission is to create the best transportation system in the world through proactive leadership, innovation, and excellence in service. The FHWA is a part of the Department of Transportation and is headquartered in Washington, D.C., with field offices located across the United States.

The Kansas Department of Transportation has a strong history dating back to 1917 when organized intrastate travel was just beginning. The agency's primary activities are road and bridge maintenance; transportation planning, data collection and evaluation; project scoping, designing and letting; contract compliance inspection of material and labor; federal program funding administration; and administrative support.

The Highway and Transportation Department of Missouri was formed when voters approved Constitutional Amendment #2 in November 1979. The amendment merged the previously separate Highways and Transportation departments. Legislation passed in 1996 changed the department's name to the Missouri Department of Transportation (MoDOT). Two divisions within the Support Center are responsible for bridge design and highway planning for the state. Decisions about local highway construction, maintenance or operations are made at the district level. MoDOT has responsibilities for five major transportation alternatives available to Missourians -- highways, aviation, waterways, transit and railroads. These responsibilities include the total operation of the 32,000 mile highway system, including highway location, design, construction and maintenance.

These transportation agencies are responsible for the interstate and highway system that international cargo travels and therefore are recognized as being pertinent to the policy and procedures of an international trade processing center. As noted in the regulatory component of this task, the USDOT has been highly visible in the implementation of the North American Free Trade Agreement and would be very influential in determining the effectiveness of the Kansas City ITPC.

3.1.2 Private, Not-For-Profit Organizations

In contrast with the public sector, the private sector entities are predictably less constrained by state line divisions. The Greater Kansas City Chamber and the Kansas City Area Development Council (KCADC) have been successful at enlisting the resources of the metro area on both sides of the state line. While virtually every chamber and economic development corporation in the area has injected an international outlook into their organizations, this section summarizes a few of the most prolific.
Greater Kansas City Chamber of Commerce

In its “Global Business Outlook”, the Chamber focuses on establishing Kansas City “as a clearinghouse for worldwide ports (with) … direct trade routes with Mexico and Canada via highway and rail corridors (and) … strengthening its air cargo connections.” While championing trade advocacy and international business awareness, the Chamber implemented several tangible international trade programs. Supplementing its two annual international trade publications (International Business Directory and Greater Kansas City International Guide), the Chamber and HNTB Corporation have introduced a new Greater Kansas City Virtual International Trade Center on the internet to provide current trade information and to sell the metro as an international marketplace. The Chamber has also introduced its new GLOBE Program to give local businesses intensive training in international business practices and to develop future international business leadership.

The Chamber also maintains two international groups - the Chamber’s International Business Partnership (CIBP) and International Investors. The International Investors largely underwrite the Chamber’s international initiatives in return for “access-and-exposure” benefits. Created in 1997, the CIBP operates with the following seven-point strategic plan:

1. Build awareness of and improve the international business image of Greater Kansas City.

2. Promote international trade and economic development with Mexico and Canada.

3. Grow the number of qualified international business professionals in Kansas City.

4. Assist small and medium-sized businesses in entering international markets.

5. Promote increased international air-passenger and air-cargo services in the Kansas City area.

6. Provide discussion forums and lobbying support on international trade policy issues.

7. Assist in the coordination of trade activities in the Kansas City metropolitan area.

Created by the Greater Kansas City Chamber of Commerce in 1995 - The Heartland Freight Coalition was formed to implement the recommendations of the nation’s first Intermodal Freight Strategies Study. The Coalition’s stated purpose was to “develop and maintain a public/private partnership dedicated to improving the Kansas City region as a vital and efficient link in the nation’s freight transportation networks.” From the 1995 study, the Coalition drew several priorities and strategies, including: (1) Performance of ongoing maintenance on existing infrastructure, (2) Inclusion of intermodal connectors as elements of the National Highway System, (3) Elimination of freight bottlenecks, (4)
Fostering new freight opportunities - particularly those among the NAFTA corridor partners, (5) Institutionalization of coordinated freight transportation planning among the freight industry, the Mid-America regional Council and the Missouri and Kansas departments of transportation, and (6) Inclusion of the area’s freight-related advantages into the area’s comprehensive economic development efforts. Both the Chamber and its affiliated Heartland Freight Coalition are identified in the Implementation Plan as two of the essential partners required to effectively market the ITPC to a national and international audience.

Kansas City Area Development Council (KCADC)

Representing a unique metro-wide partnership of area city, county and corporate leaders, the KCADC works to attract national and international expansions into the 14-county, bi-state region. While defining its role as attracting and retaining investment, KCADC has recognized that enhanced trade capabilities create a more attractive prospect for investment. Therein, KCADC has consistently emphasized the need to cultivate competitive advantages in technology and transportation. In its technology initiative, KCADC received a $250,000 grant from the U.S. Department of Commerce, National Telecommunications and Information Administration, to design and test a planning model for advanced telecommunications technologies.

Transportation and distribution capabilities are a key ingredient in the KCADC’s efforts to recruit national and international investment. An ongoing KCADC “headquarters initiative” places a premium on the improvement of domestic air service and the establishment of international air service - both for passenger and all-cargo flights. Combining the technological and transportation issues, the KCADC has adopted the role of drawing national/international media attention to the technological attributes of the trade corridor. In their efforts to attract more high-tech investment to the area, the KCADC has prioritized the attraction of a regional cargo hub for one of the large integrated air cargo carriers (Airborne, BAX Global, DHL, Emery Worldwide, FedEx, and UPS) as a means of providing companies with critical, efficient delivery.

Given their recognition of technology and transportation as essential resources in the area’s economic development, the KCADC is perceived as a likely ally in promoting the ITPC to a national/international audience and could be particularly helpful in recruiting new carriers, distributors and manufacturers to the area. The KCADC’s lack of a state boundary enables it to market prospective ITPC operations in either Kansas or Missouri.

North America’s Superhighway Coalition (NASCO)

A non-profit, public-private partnership, NASCO’s mission is to “maximize economic opportunity and investment in the North America mid-continent corridor through development and advocacy of an efficient, seamless, intermodal trade and transportation system.” For NASCO, the Corridor includes Interstates 35, 29 and 94. Both the Greater Kansas City Chamber of Commerce and the Economic Development Corporation are
members of NASCO, whose headquarters recently moved to Kansas City from Dallas. NASCO was successful in lobbying congress for high-priority designation for the corridor and in lobbying for the $700 million available to international trade corridors in the new Transportation Equity Act (TEA-21). TEA-21 addresses international transportation corridor issues under the national Corridor Planning and Development Program and the Coordinated Border Infrastructure program. As with the NAITCP, NASCO is identified in the Implementation/Marketing Plan as a prospective resource in marketing the KCITPC as a corridor - rather than local - resource.

Hispanic Business/Economic Organizations

While both organizations primarily concentrate on assistance to area Hispanic-owned and operated entities, the Greater Kansas City Hispanic Chamber of Commerce and the Hispanic Economic Development Corporation (HEDC) have contributed to strengthening trade ties with Mexico. As has been amply demonstrated in Dallas, Houston and other cities, local Hispanic populations can provide a cultural and economic bridge to Mexico and other parts of Latin America. Both organizations have hosted visiting Mexican delegations and supported local trade missions to Mexico. During the most recent Summit of Mayors in Mexico City, Kansas City’s Hispanic community sent numerous representatives who provided an invaluable image of Kansas City to the Mexican hosts.

3.1.3 University-Based International Business Resources

Within a 50-mile radius of Kansas City, there are 20 not-for-profit, higher education institutions accredited by North Central Association of Colleges and Schools. Avila College, Johnson County Community College, Kansas City, Kansas Community College, Park College, Rockhurst College, Webster College and William Jewell College are among the area community colleges, private four-year colleges and state universities which have greatly enhanced the international content of their curriculum, as well as recruitment of international students. Should the ITPC implementation provide the opportunity to utilize college interns, capable students could be found in all of these academic institutions. While this section concentrates on international trade activity, it should also be noted that this study re-visits the subject of educational and training programs in a later section pertaining to skilled transportation maintenance needs. Rather than critiquing the academic credentials of local entities, this section is limited to the international business-directed outreach programs of UMKC and the University of Kansas which offer Centers for International Business for technical assistance to area businesses on their respective sides of the state line.

UMKC Center for International Business (CIB): CIB provides export and import counseling to small and medium-size businesses. Counseling ranges from rudimentary export plans and market research to finding buyers and sources of finance. CIB is one of a network of eighteen satellite centers for the International Trade Data Network and provides links to many other state, federal and private export resources. In addition to a 1.2GB file server for electronic trade research, CIB also maintains an extensive collection of
international business reference materials such as journals, magazines, books and reports. Graduate assistants provide assistance to users. UMKC offers an International Business Certification Program targeting professionals who are existing or aspiring international traders.

**University of Kansas Center for International Business (KUCIB):** For Kansas City-area professionals, the KU Regents program presently lists more than ten international programs in their graduate curriculum. For area exporters, KUCIB provides its International Business Resource Connection (IBRC) - a web site designed to be one of the most comprehensive collections of international trade/business resources on the internet. Included within the web site is the searchable Midwest Trade Database - a listing of U.S. Midwest firms presently involved with international trade. The IBRC provides access to two primary categories of reports: Cultural Perspective Reports and Detailed Country Reports. The latter reports place primary emphasis on business trends and opportunities.
## EXISTING ENTITIES INVOLVED IN INTERNATIONAL TRADE IN THE KANSAS CITY METROPOLITAN AREA

### PUBLIC SECTOR ENTITIES
- City of Kansas City, MO
- Economic Development Corporation of Kansas City, Missouri Port Authority of Kansas City, MO
- State of Missouri’s Department of Economic Development
- U.S. Government
  - Department of Commerce
  - U.S. & Foreign Commercial Service
  - Small Business Administration
  - Department of Agriculture
    - Foreign Agricultural Service (FAS)
    - Animal and Plant Health Inspection Service (APHIS)
- State of Kansas’ Department of Commerce & Housing
- Department of Treasury: U.S. Customs Service
- Department of Transportation
  - Federal Highway Administration
  - Kansas Department of Transportation
  - Missouri Department of Transportation
- North American International Trade Corridor Partnership (NAITCP)
- Mid-America Regional Council (MARC)
- State of Missouri’s Department of Economic Development
- State of Kansas’ Department of Commerce & Housing

### PRIVATE SECTOR ENTITIES
- Greater Kansas City Chamber of Commerce:
  - Heartland Freight Coalition
- Kansas City Area Development Council (KCADC)
- North America’s Superhighway Coalition (NASCO)
- Hispanic Chamber of Commerce and Hispanic Economic Development Corporation
- The Chamber’s International Business Partnership (CIBP)

### UNIVERSITY-BASED INTERNATIONAL BUSINESS RESOURCES
- University of Missouri - Kansas City
- University of Kansas

### INTERNATIONAL NETWORKING ORGANIZATIONS
- International Alliance
- International Relations Council
- International Trade Club
- Kansas International Development Association
- Sister Cities

**TranSystems Corporation**
3.1.4 International Networking Organizations

The Kansas City metropolis has numerous organizations dedicated to increasing area awareness and understanding of international trade issues and opportunities. While each entity typically has some distinctive priority(s), all provide networking opportunities both at the local level and ultimately, between local businesses and foreign-based counterparts.

International Alliance: For more than five years, a collaboration of major international groups called the International Alliance has worked to develop global awareness throughout the metro area. Efforts range from education forums to professional networking and exchanges.

International Relations Council: Founded in 1954, the Council is an independent, non-profit, non-partisan educational organization. The goal of the organization is to broaden and deepen the understanding of international affairs among citizens in Greater Kansas City and to emphasize the role which individual citizens can have in the formulation, development and conduct of U.S. foreign policy. The Council runs regular Forums where area professionals share views with counterparts and local experts on topics such as trade, politics, security and economics.

International Trade Club: The ITC promotes greater interest and participation in the global marketplace through member education and interaction. The ITC offers area businesses networking and educational opportunities through monthly Club meetings, seminars, workshops and lectures. The Club publishes an annual directory that lists members, embassies, consular offices and chambers of commerce. The Club also publishes a monthly newsletter that covers current international trade issues affecting business in the greater Kansas City area.

Kansas International Development Association (KI): Kansas International is a non-profit organization promoting economic development through international commerce. KI maintains a database of East Kansas businesses for matching with international trade leads. The Association holds monthly breakfast meetings featuring international topics. KI also publishes a monthly newsletter, maintains a video library for Association members. While the organization is based in Lawrence, KS, its corporate members include representatives from the international departments of Commerce, Mercantile and Nationsbank, as well as several Kansas City-based international lawyers and freight forwarders.

Sister Cities: Varying from cultural and educational exchanges to commercial activities, Greater Kansas City has more than 29 sister cities. Kansas City, Missouri has three Mexican sister cities (Guadalajara, Morelia and San Nicolas de los Garza) but none in Canada. Kansas City, KS has a NAFTA sister city in Uruapan, Mexico.
In order to address the questions of administration and operation of an ITPC, five case studies are presented. These case studies illustrate the development, management, facilities and services provided at other inland ports in cities of comparable size to Kansas City.

While the Kansas City ITPC proposes distinctive international trade capabilities, the inland port concept is not new. With varying emphases and degrees of success, several inland metropolitan areas have attempted to simulate the strengths and benefits of trade that are commonly associated with coastal markets. The efforts located in the Ohio Valley have prominently featured air cargo hubs. Louisville (UPS), Memphis (FedEx) and Indianapolis (FedEx) have leveraged integrated air carrier hubs to attract high-tech industries which are reliant on critical delivery schedules to accommodate “just-in-time” manufacturing and assembly. While Columbus, Ohio is not presently a primary hub for any major air cargo carrier, Rickenbacker International Airport is one of few dedicated cargo airports and has a FedEx regional hub.

These four cities have attempted to integrate their air cargo strengths with other transportation modes to create competitive advantages in distribution. Memphis has the world’s largest (in tonnage) air cargo airport, year-round barge transportation on the Mississippi River, comprehensive rail service from all of America’s class one railroads and highway transportation from the intersection of Interstate 55 (North-South) and I-40 (East-West). Located at the widest section of the Ohio River, Louisville offers enviable river barge transportation combined with rail and truck service. Columbus and Indianapolis lack immediate river resources but market their relative accessibility to major waterways by rail and/or truck. A fifth city, Battle Creek, Michigan also operates an airport but emphasizes its intermodal ship-to-truck transportation.

The first four of these cities have an Airport Authority form of public administration for their airports. Indianapolis and Columbus have hired private management corporations to execute the business functions of Indianapolis International and Rickenbacker International Airports, respectively. Louisville and Memphis have Airport Authorities that include appointees of both the local city and county governments. Both Authorities hire professional staff as employees of the Airport Authority. Battle Creek is operated as an arm of the City’s Economic Development Council.

For their respective river ports, Louisville and Memphis have separate Port Commissions. In both cases, these river ports include substantial industrial parks for manufacturing and distribution. While all of Louisville’s port commissioners are appointed by the County Judge Executive, Memphis divides its commissioners between the City of Memphis and Shelby County. Columbus has an Inland Port Partnership formed by the City of Columbus, Franklin County, Rickenbacker Port Authority and Greater Columbus Chamber of Commerce. While this Partnership controls no specific piece of infrastructure, the Partnership coordinates marketing and development efforts between Rickenbacker
International Airport and the region’s other transportation resources. Indiana’s three major ports operate under the direction of the State of Indiana Port Commission appointed by the Governor. No formal integration has been cultivated between the City and State resources.

As corroborated by reviews of local newspapers and business journals, all of these efforts have leveraged their transportation resources to support a wealth of distribution and manufacturing expansions by time-sensitive companies. In addition to efficient transportation, each market has developed warehousing capabilities typically matched with foreign trade zone benefits. Like much of America, all five cities are facing labor challenges with Louisville and Memphis reporting having lost prospective expansions due to insufficient labor or skill availability.

Falling somewhere in the middle of a continuum, the Kansas City area offers both similarities and striking contrasts with these cities. While nearer to the geographic center than any of these cities, Kansas City lacks the population and manufacturing centers of the Ohio Valley. While this lack of “regional density” has diminished Kansas City’s air freight potential, the linear requirements of rail and trucking strongly favor Kansas City, especially in the shipment of grain and field crops. While seasonality on the Missouri River places Kansas City at a disadvantage to year-round ports like Memphis and Louisville, Kansas City’s water resources are fairly comparable to Columbus and Indianapolis.

Using the administration of its airport as an example, Kansas City has not followed the example of successful models of distribution development. While the private management contracts of Indianapolis and Columbus (Rickenbacker) are in the vanguard of infrastructure privatization, the Airport Authority form has been the typical means of allowing airport operators to respond efficiently to opportunities and challenges facing air transportation. The City of Kansas City, Missouri operates its airport system as a City department.

Similarly, the Port Authority of Kansas City, Missouri operates as an affiliate of the Economic Development Corporation of Kansas City, Missouri. Since 1948, the physical plant has been operated by a single operator - Mid-West Terminal Warehouse Company - under a long-term contract. Unconstrained by seasonality, the Louisville and Memphis river ports have been able to spur industrial development and job creation from their river ports.

In addition to mixing City and County appointees in their infrastructure commissions, both Louisville and Memphis have reached across state lines on regional economic development efforts. Memphis is in the initial phase of development of a single industrial park that will be constructed through the Mississippi-Tennessee state border. In spite of being more bi-state than either Louisville or Memphis, Kansas City’s closest attempt at this type of regional, multi-modal initiative has been the Greater Kansas City Chamber’s Heartland Freight Coalition.
3.2.1 Columbus, Ohio

Rickenbacker

Facing suggestions that the airport be closed, the Rickenbacker Port Authority began with the moderate, short-term goal of developing Rickenbacker International Airport into a self-sustaining multi-modal air cargo airport. With several years of distribution accomplishments behind them, the Port Authority has launched its long-term vision of expanding Rickenbacker into a gateway port with direct air, rail and motor capabilities and adjacent manufacturing and assembly facilities. U.S. Customs is locating their regional administration offices at Rickenbacker and already operates on-site, responding to aircraft at any time.

Located in Franklin County, Pickaway County and Columbus, Ohio, Rickenbacker’s multi-modal distribution center operates as the pivot point for the Greater Columbus Inland Port. Rickenbacker International Airport (LCK) is a 5,000 acre joint-use airport with a 2,000 acre Foreign-Trade Zone. The airport is currently served by 9 airlines that conduct scheduled and chartered operations to and from domestic and international locations. FedEx operates one of its six U.S. cargo hubs from a 294,000 square foot sortation center. Other cargo users include UPS, Evergreen Airlines, Polar Air Cargo and LEP Profit Freight. Rickenbacker International Airport handles approximately 666,000 pounds of freight per day. In 1997, the airport enplaned and deplaned a total of 243.1 million pounds of freight. This was an increase of 45 percent over 1996 and nearly 6 times the amount handled in 1991.

Rickenbacker is a low-cost, efficient alternative to many North American gateway airports due to the lack of congestion and delays associated with traditional cargo gateways. Rickenbacker is located in Central Ohio, offering direct access to 50 percent of the population and almost 60 percent of the consumer market of the U.S. and Canada.

Rickenbacker Port Authority

Established in 1979 by resolution of the Franklin County Board of County Commissioners, the Rickenbacker Port Authority (RPA) is a separate political subdivision established under Section 4582.21 of the Ohio Revised Code. It is governed by an eleven member volunteer Board of Directors appointed by the County Commissioners. Board activities and staff are administered by a board-appointed Executive Director. The RPA is the Federal Aviation Administration's (FAA) sponsor of Rickenbacker International Airport. RPA owns part of the airport and leases other parts from the military. The airport is in the final stages of military realignment to a civilian airport via public benefit transfer of the excess military lands - including the airfield - to the RPA.

The FAA-certified airport has been managed since 1982 by Airport Group International (formerly Lockheed Air Terminal, Inc.) under contract with RPA. With airport operations in 26 locations around the world, AGI is the second largest airport operating company in the
world. AGI has a 70-year history under Lockheed with experience in airport management and development, and airline services. AGI’s shareholders include Lockheed-Martin, Soros Capital LP, Bechtel, GE Capital, DFS Group Ltd., SunAmerica, and Infratil International.

Since being awarded the grant from the Federal FTZ Board in 1988, RPA has been the authorized grantee of Foreign-Trade Zone (FTZ) No. 138 administering 2,000 acres of General Purpose FTZ land at and adjacent to Rickenbacker International Airport and numerous sub-zones across Central Ohio.

Foreign-Trade Zone #138

The Rickenbacker Port Authority (RPA) is the Grantee for Foreign-Trade Zone #138 which covers the central and southeastern Ohio service area. The RPA’s general purpose Zone is located in the area surrounding the airport. Most of the businesses in the general purpose Zone are involved in distribution, although manufacturing is allowed with approval from the Foreign-Trade Zones Board. Due to central Ohio’s proximity to the majority of the US population, distribution is the focus of the many companies locating within central Ohio.

The RPA is working with a number of central and southeastern Ohio communities to establish additional general purpose Zones within their communities. The RPA is also working with a number of manufacturing businesses within its service area on the establishment of special purpose sub-zones. This will give the companies access to the benefits of a Foreign-Trade Zone at their existing locations.

FTZ No. 138 is currently home to a number of major corporations, including:

- Kubota Tractor
- Sun TV
- Dorcy International
- Ohio Distribution Warehouse
- Wascator Manufacturing Company Inc.
- Spiegel-Eddie Bauer

Other firms including LEP/Profit Freight, Landair Transport, Lucent Technologies, Seagate Technologies, Siemens, Borden, Expediters International, P + R Machine Tool, Circuit City, Amerisource, UPS, FedEx and Polar Air have located in the Rickenbacker FTZ to take advantage of exporting and shipping through the international airport.

Through a recent FTZ initiative, RPA expanded its operator services to provide administrative services relating to the admission and transfer of inventory into and out of the zone, including assistance with required U.S. Customs documentation. By offering these services, RPA gives its users an on-site operator option. As RPA is already well-versed in
the intricacies of FTZ operations, RPA can assist customers to maximize their benefits from using the FTZ.

Greater Columbus Inland Port

The Greater Columbus Inland Port Initiative is a regional public-private partnership. The initiative seeks to engage the area’s resources to address the challenges facing distribution-sensitive companies. The Inland Port Commission recruits industry representatives to help direct the marketing and business development efforts of the port. Housed in the Greater Columbus Chamber of Commerce, the Inland Port Commission was established in 1992 by business leadership in partnership with the City of Columbus, Franklin County and the Rickenbacker Port Authority.

The Greater Columbus Inland Port has established marketing and business relationships with coastal ports. Agreements with the Ports of New York/New Jersey, Los Angeles and Virginia seek to install Columbus as a Midwest rail gateway with deep-water connections via strategic coastal ports/partners.

While Greater Columbus has an MSA population of 1.4 million, the region offers wide expanses of undeveloped and developed land within minutes of the area's outerbelt, inner beltway, major interstates or intermodal and rail yards. Building and lease costs for industrial park space are approximately 33 percent lower than those in rival cities like Chicago, Detroit and Indianapolis. Taxes, utilities and other operational costs are most often competitive or better than similar and larger metropolitan areas. Mammoth shippers including The Limited Inc., AT&T, Honda, Spiegel, Whirlpool and others have either originated or located in the area because of its location and facilities.

3.2.2 Indianapolis, Indiana

Distribution

Indianapolis has more than 1,000 distribution companies which in total employ more than 48,000 people. Over 100 trucking firms have terminals in the city. Seven spokes of four interstate highways converge at Indianapolis, for a direct route in every direction. In addition, two of the largest railroads east of the Mississippi provide the city with freight service. The state of Indiana has more than 5,600 miles of track operated by Class 1 railroads. The railroads serving the Indianapolis area are CSX Transportation, and Conrail. Shortline railroads include: The Indiana Railroad Co., Indiana Southern Railroad, and The Louisville & Indiana Railroad.

More than $785 million has been invested in city distribution facilities and equipment since 1993. According to the U.S. Department of Commerce, Indianapolis added nearly 200 new companies and 10,550 new jobs in the distribution industry during the years 1990-95.
Indianapolis International Airport

Under an innovative agreement, the Indianapolis Airport Authority's five airports are now managed by BAA Indianapolis LLC, making Indianapolis International the largest airport in the U.S. to be privately managed. This private airport company is a subsidiary of BAA plc which owns and operates seven airports in the United Kingdom, including Heathrow, Gatwick and Stansted airports which serve London. The 10-year performance-based contract provides for improved customer service and reduced airport operating expenses for the airlines.

Located just minutes from downtown, Indianapolis International Airport is the 12th-busiest cargo airport in the country and one of the ten fastest-growing cargo airports in the world. Cargo tonnage (freight and mail) rose 8.8% to 730,896 tons in 1997.

Development on the airport continues at both the FedEx Hub and the United Airlines Maintenance Center. FedEx will soon complete an expansion to double the hub's capacity. The airport is also home to the U.S. Postal Service’s Eagle Network Hub where 500 employees process Express and Priority Mail each night. With these hubs, companies in the Indianapolis area can extend their overnight and second day shipping deadlines until 11:00 p.m. or later. Similarly, local companies benefit from earlier arrivals of inbound shipments, as well.

The Indianapolis Airport Authority is the Grantee for the Greater Indianapolis Foreign Trade Zone, covering the entire International Airport. The airport's Foreign Trade Zone provides warehousing and packaging services on-site, and sponsors sub-zones at several major manufacturing facilities in Central Indiana, including Eli Lilly, Subaru-Isuzu Automotive, Chrysler Corporation, Alpine Electronics, Onkyo, and Endress and Hauser.

FedEx

Since opening in 1988, the Indianapolis hub has grown to be the second-largest FedEx hub in the country and is still growing. With an investment of $270 million, FedEx is now completing the largest expansion project in the company’s history. Memphis-based FedEx has approximately 3,000 employees in Indianapolis making it the fifth-largest employer in Indianapolis and the ninth-largest in Indiana. FedEx has become one of Indianapolis’ “anchor tenants”, attracting other companies that rely on quick package delivery. At Indianapolis, FedEx services 55 daily flights and processes 350,000 packages every 24 hours. When its expansion is complete, FedEx will employ 3,500 people who will be able to sort 90,000 packages every hour. They’ll work within a 1.3 million-square-foot facility—roughly the size of 27 football fields. The recent expansion includes the addition of 14 new gates for a total of 58, and extends the company’s local holdings to 240 acres.
Indiana’s Ports

Accessible to Indianapolis-based firms by truck or rail - Indiana’s three active ports provide access to the Great Lakes, the St. Lawrence Seaway (and consequently, the Atlantic Ocean), and the Mississippi and Ohio river basins. Indiana's International Port on Lake Michigan is a deepwater port serving the steel, heavy industrial and grain industries. Goods shipped through Indiana's International Port leave the U.S. through the Great Lakes/St. Lawrence Seaway. Southwind Maritime Centre at Mt. Vernon and Clark Maritime Centre at Jeffersonville, both on the Ohio River, are gateways to the nation's inland waterway system. The Indiana Port Commission is a seven-member body appointed by the Governor to oversee the administration of Indiana's three public ports.

Indiana’s International Port/Burns Harbor at Portage

The International Port is located at Portage, Indiana, on the south shore of Lake Michigan. Just 30 land miles and 18 nautical miles from Chicago, the Port offers access to world trade routes from the Great Lakes via the St. Lawrence Seaway. The Port can handle Great Lakes bulk carriers of up to 1,000 feet in length and saltwater vessels capable of transiting the locks on the Great Lakes/St. Lawrence Seaway system. Any deep-draft freigher that can navigate the St. Lawrence can dock and turn around at the specially designed Port. Twelve modern ship berths, all in excess of controlling seaway draft, are available. Indiana's International Port also offers year-round access to Midwestern markets and the Gulf of Mexico through the Inland Waterway System. Through the canals and channels nearby, cross-Lake Michigan barge service connects with the Illinois, Ohio and Mississippi Rivers. The inland waterway system reaches 22 states and more than 40 percent of the U.S. population.

Centrally located, the Port is served by major interstates, U.S. and state highways. The Indiana Harbor Belt Railroad provides switching service on Port property, and the Port is served by the nation's class one carriers. Indiana's International Port encompasses 500 land acres. Companies that deal in heavy industry, light manufacturing and warehousing make up the Port's commercial tenants. The Port offers a range of services, including tug, barge fleeting, railroad switching, waste disposal/sanitation, security and fire protection. Professional terminal and port management oversee operations, and experienced stevedores serve the facility using state-of-the-art handling equipment. Commercial tenants, bulk and general cargo shippers use the harbor to store and process a variety of materials. Indiana's International Port is classified as a Foreign Trade Zone. Major commodities and cargoes handled by Indiana's International Port include iron and steel, grain, chemicals and fertilizers.

Clark Maritime Centre

Clark Maritime Centre is an intermodal transportation gateway located on the northern bank of the Ohio River, in Jeffersonville, Indiana, directly across the river from Louisville,
Kentucky. This river port provides 12-month ocean access to world markets via the Inland Waterway System to the Gulf of Mexico. Clark Maritime Centre initiated operations in 1985. The Port's location enables shippers to transport their products by truck, rail, barge, lash barge or container to the manufacturing and agricultural markets of Indiana, Kentucky, Tennessee, Ohio and Illinois. Clark Maritime Centre is a FTZ with land area of 962 acres and 3,200 linear feet of riverfront access.

Clark Maritime Centre provides rail service by way of CSX, and the Louisville Indiana Railroad Co. These carriers provide interchanges with Illinois Central, Norfolk Southern, Paducah & Louisville, Indiana Rail Road, Conrail and CP Rail/Soo Line. Clark Maritime Centre also offers companies an intraport shortline that provides on-site switching services through M.G. Rail. The Clark Maritime Centre has direct interstate access within the port facility via I-265 linking with I-65, I-64 and I-71. Clark is served by all the national overnight and motor carriers; Yellow Freight, Overland, Overnight, UPS, RPS, FedEx, USPS, DHL, Airborne and Burlington.

3.2.3 Battle Creek, Michigan

Port of Battle Creek/Foreign-Trade Zone 43
BC/ CAL/KAL Inland Port Development Corporation

Located in Battle Creek, Michigan, the Port of Battle Creek is funded under the Economic Development Council of the City of Battle Creek and has been operational for the past twenty years. Battle Creek Unlimited (BCU), a private, nonprofit corporation, serves as the business development arm for the City of Battle Creek. BCU is an alliance of public, private and community leaders, guiding the nation's first base conversion into Michigan's largest modern industrial park – the 3,000-acre Fort Custer Industrial Park. Balancing existing business and industry with the need to attract new companies to strengthen Battle Creek’s tax base, BCU provides a host of services to help businesses locate, thrive and expand in Battle Creek: An investment division providing loans at advantageous rates, W.K. Kellogg Airport, tax incentives in support of business, Customs Port facilities for international aircraft and cargo arrivals, and a single point of contact for problem resolution. BCU purchases all equipment required for “common use” applications in the zone. Commercial tenants are responsible for any improvements and equipment acquisition unique to their individual operations. BCU operates as a “typical landlord” to their commercial tenants, providing routine landscaping, maintenance and repairs to the office space, warehouse access roads and parking lots.

BCU is a 5013c private not-for-profit business with a 40 member board made up of a cross section of local community business and governmental leaders. This group of individuals meets once a month in the management of the Port. A smaller executive board has 20 members and meets every two weeks for matters regarding the operations at the port. The City of Battle Creek is the grantee of the FTZ status. BC/CAL/KAL is the operator of the FTZ and contracted to brokers for the day to day operations.
Transportation Capabilities

The Canadian National (CN North American – Grand Trunk) mainline through Battle Creek provides for bulk shipping and container freight. The CN Sarnia to Port Huron tunnel vitalizes rail transportation to Battle Creek by permitting double-stacks and piggyback loads. Conrail lines also are accessible.

Situated on the Interstate 94 international trade corridor midway between Detroit and Chicago, Battle Creek provides easy access to other major markets including Indianapolis, Cleveland, Pittsburgh, Buffalo, and Toronto. Other major interstates and state highways in the area include I-69, M-66, M-96 and M-37. Forty trucking lines serve the Battle Creek area.

Given the disparity in intermodal capabilities, BCU is not an ideal model for the KC ITPC. While BCU has exploited ship-to-truck capabilities, their rail facilities have been vastly under-utilized - to the extent that private rail operators have removed equipment.

**W.K. Kellogg Airport and the U.S. Customs Port of Battle Creek**

The U.S. Customs Port of Battle Creek is an uncongested, inland Customs port of entry. Unlike larger coastal ports, imports commonly arrive in the morning, are cleared through Customs, and on their way by afternoon. The U.S. Customs Port of Battle Creek is adjacent to W.K. Kellogg Airport, allowing for clearances of aircraft arriving from international points of departure. Two full-time U.S. Customs Service personnel serve the port of entry and W.K. Kellogg Airport. Customs clearances are approximately 7,000 operations per year.

The Port of Battle Creek is centrally located in the 3,000 acre Fort Custer Industrial Park, providing a convenient port terminal to companies in the largest modern industrial park in Michigan. The industrial park includes a 50,000 sq. ft. of space designated for foreign trade zone activities. BCU has an operating agreement with Cortez Customs House Brokers to operate the FTZ. The remaining developed area is divided between office space (15,000 sq. ft.) and warehouse space (80,000 sq. ft.), for lease at commercial property rates. The complex is used for storage, trade processing, light assembly, and business incubator space.

**Costs**

Construction costs included $3.9 million (in 1998 valuation) for the 100,000 sq. ft. of space developed in 1978. No costs are available for the 50,000 sq. ft. addition of 1991. Although BCU averages $20,000 per month in rental and other user revenue, BCU’s operating revenues do not typically cover operating costs. The FTZ operator, Cortez Customs House Brokers, has a $188,000 (1997) contract with BCU. Should Cortez’s customs processing fees exceed the amount of this contract, the company must initiate rent payments to BCU.
Under the contract, BCU is responsible for all FTZ equipment acquisition, but Cortez is responsible for maintenance.

Ref: Battle Creek Area Chamber of Commerce

3.2.4 Louisville, Kentucky

Louisville International Airport

The Regional Airport Authority of Louisville and Jefferson County is an independent public agency governed by a 10-member board appointed by the Mayor of Louisville, Jefferson County Judge Executive and Kentucky’s Governor. The General Manager directs a staff of approximately 175 employees who implement the board’s policies and conduct the day-to-day operations and maintenance of the city’s two airports. As home of UPS’ international air sorting hub, Louisville International Airport is the 4th largest airport in the U.S. and 6th in the world in air cargo with over 1.3 million metric tons of cargo handled annually. The Airport Authority has recently applied for foreign trade sub-zone status for the UPS area, including the fuel farm.

The Louisville Airport Improvement Program includes a new 85,000 square foot building for air mail handling, including a customer service center. In 1999, FedEx will build a new $10 million, 93,000-square-foot express cargo facility on 24 acres leased from the Authority. Replacing the 16,000 square-foot facility FedEx currently operates at Louisville, FedEx’s local employment will grow from 80 employees to 200.

With all of them located downtown, none of the federal inspection agencies (Customs, Agriculture, Immigration) have offices at the Louisville International Airport. County and Airport officials have offered to move Customs to the airport at local expense. Gary Frederick, the Customs service’s Louisville port director, claims that opening an international port of entry would require a “much larger customs staff” than the three customs agents presently available to the airport. Frederick also noted that processing international passenger arrivals and departures would require a federal inspection station with Immigration and Naturalization Service agents and Department of Agriculture inspectors, as well as customs agents. Frederick maintains that local officials would need three or four years to negotiate federal red tape to establish an inspection station.

UPS Expansion

UPS has begun an $860 million investment that will dramatically increase the size of the delivery giant’s international air hub. UPS is already Kentucky’s largest private employer with 15,000 people working in Louisville. The UPS expansion is the largest economic development effort in the history of Kentucky, surpassing the $800 million Toyota Motor Corp. plant. When the expansion is completed in 2001, capacity will double and local employment will be boosted by 6,000. UPS will spend $275 million to build a 2.7 million-
square-foot facility that has been dubbed “Hub 2000” - reflecting the high-tech nature of the building and the $584 million that UPS will invest in equipment and furnishings. The new building will have 42 aircraft parking bays. Computerized overhead scanners will read “smart labels” to determine the direction that packages will take along conveyor belts en route to airplanes. UPS is projecting that 300,000 documents and boxes will be processed hourly by 2002. Ultimately, more than 500,000 pieces an hour are to be handled at the Louisville facility. Currently about 165,000 packages an hour are sorted there.

Led by a UPS “executive-on-loan”, the Greater Louisville Economic Development Partnership has targeted computer companies as an ideal prospective industry to be attracted by UPS’s airfreight services. More than two dozen computer-repair companies and distribution warehouses have opened in the Louisville area because of UPS, including eight rapid-repair operators since 1995. These latest eight operators employ approximately 800 technicians but could increase to 1,100 by 1999 according to the companies’ own projections.

Riverport

Formulating policy for its professional staff, the Louisville & Jefferson County Riverport Authority has a 6-member Board of Directors appointed by the Jefferson County Judge. The Board meets once monthly to review operations, approve contracts and establish policy for the port and industrial park complex.

Industrial Park

The industrial park is designated as both an Enterprise Zone and Foreign Trade Zone. The Riverport Authority is the designated FTZ grantee for the Riverport General Purpose Zone complex, as well as 6 sub-zones which include Ford Motor Company, General Electric Company Appliance Park, Lexmark International (formerly IBM), Toyota Motor Manufacturing, Hitachi Automotive Products and Ascent Power Technology Corp. National developers have constructed over 2 million square feet of "build to suit" facilities at Riverport. Many of these facilities are owned by publicly traded real estate investment trusts, insurance companies and other institutional investors. In the past seven years, Riverport has more than quadrupled in size and is now home to over 75 companies boasting more than 6.5 million square feet of building space. Private companies have invested more than $300 million to support that growth. Since 1990, employment there has grown from 350 people to 4,500.

The Port

Operating from 300 acres on the Ohio and Mississippi river system, Riverport’s port facilities include the bulk commodity transfer terminal, barge fleeting area, ground storage, 13 miles of on-site and off-site railroad track and a general cargo dock. The bulk
commodity terminal transfers dry bulk commodities such as coal, grain, fertilizer and potash from railhopper cars to barges. The high performance facility incorporates a 23,000 foot double-loop track with 120 car unit train capacity; dumper vault building with track-mounted rail car indexer for receiving bulk cargo; overhead conveyor system for transferring cargo to barges or to ground storage; a variable speed blending system; and a marine facility for loading barges. Two barge fleeting areas each accommodate a 15-barge tow. The transfer terminal is designed to handle more than four million tons of dry bulk commodities a year working at the rate of 2,000 tons an hour. An entire 120-car train can be off-loaded in an eight-hour shift. Jefferson Riverport International is one of the few inland industrial/port sites in the nation with single-line haul by three railroads: CSX, Norfolk Southern and Paducah & Louisville.

The multi-purpose general cargo dock handles loading and unloading of materials such as lumber, steel and containerized freight, as well as bulk commodities utilizing truck transportation. The dock features truck-to-barge and barge-to-truck off-loading capabilities via a 30-ton overhead crane. The crane completes each cycle of transfer from barge to truck and return in less than two minutes. On-site warehousing is available. Cooper/T. Smith Stevedoring, the Port Operator, is one of the largest stevedoring firms in the U.S.. Located at mile 618, Jefferson Riverport International is 1,334 miles from the Gulf of Mexico, a transit time of ten to twelve days.

In addition to Ohio River access, Riverport affords immediate access to three interstate highways, three mainline railroads and is just ten minutes by expressway from Louisville International Airport and the UPS international air freight hub. Riverport is located within a day's drive of 75 percent of the nation's population.

3.2.5 Memphis, Tennessee

The Memphis Uniport concept entails air, river, train, and truck transportation. Located on the Mississippi River at the intersection of much of the nation's north/south and east/west shipping traffic, Memphis is the sixth largest distribution center in the country. Memphis has two Foreign Trade Zones with multiple sites and is one of the fastest growing U.S. Customs ports of entry. More than 30 international freight forwarders operate in Memphis and more than $10 billion in goods clear U.S. Customs annually. U.S. Customs has four points of presence in Memphis. World Trade magazine ranks Memphis among the top U.S. cities for expansion by international firms.

- **AIR**: The Memphis International Airport has more than 500 flights daily, including a major hub for Northwest Airlines and the headquarters for FedEx Corporation and its "superhub" facilities.

- **RIVER**: A number of major shipping and storage facilities are located at the River Port of Memphis.
• RAILROADS: Memphis is served by six railroads which operate in the city as a single system, allowing shipments to be easily interchanged.

• HIGHWAYS: Interstates 55 and 40 intersect in the city. More than 65 percent of the United States population can be reached overnight from Memphis via truck.

Memphis International Airport

Memphis International Airport occupies 3,500 acres less than 15 minutes from all major Memphis business centers. Eight major passenger airlines and four commuter lines, as well as 29 air freight companies, operate from the airport. FedEx is headquartered in Memphis and handles over one million packages a night for overnight delivery. Memphis International Airport is the world's busiest cargo airport, a distinction it has held since 1992. It tops the Airports Council International annual list by moving 1.4 million metric tons of cargo per year.

FedEx

FedEx operates its worldwide headquarters and World Hub in Memphis. FedEx now serves 201 countries and 325 airports worldwide. Its fleet of 489 aircraft supports an average of 2.4 million documents and packages daily. FedEx now has a 35.6% domestic air revenue share for expedited cargo. That overall market is valued at $20.4 billion. It also carries 16.2% of export air revenue share out of a total market of $6.2 billion. From Memphis, FedEx provides daily non-stop service to London, Paris, Toronto, Mexico City, Rio De Janeiro and direct service to Tokyo and Hong Kong.

FedEx plans several new facilities around Memphis, including this computer center campus expected to open in mid-1998, costing $60 million. FedEx operates a third-party Parts Bank in the city, allowing clients involved in time-based competition to ship and receive articles on demand via electronic data interchange (EDI). Technology Service Solutions (TSS) of Valley Forge, Pa., a joint venture of IBM and Eastman Kodak Co., plans to build a national computer maintenance and repair station in Memphis and FedEx Logistics Services will coordinate shipments. One of FedEx Logistics Services' largest clients is National Semiconductor.

United Parcel Service

United Parcel Service (UPS) began construction on an $80 million advanced package sorting facility on an 84-acre site adjacent to new parallel runway 18 L / 36 R. The 330,000 sq. ft. hub will process more than 250,000 packages and documents per day. This UPS facility is their only facility that will have both air and ground processing capabilities in one location. It is scheduled to be operational in the Spring of 1999. The UPS project will open
160 full-and part-time jobs in 1998, another 115 in 1999, and 70 additional jobs in the year 2000. Employment at UPS in Memphis is already more than 1,000.

The Memphis-Shelby County Airport Authority

The Memphis-Shelby County Airport Authority was created in 1969 by official action of the City of Memphis, and County of Shelby as authorized by the Metropolitan Airport Authority Act of the State of Tennessee. By this action, the Authority acquired ownership and control over the local airport system. The major purposes of the Authority are to plan, establish, acquire, construct, improve and operate one or more airports within Memphis and Shelby County. The Authority has the power to issue bonds to accomplish any of the purposes authorized by the creating legislation.

The Authority is governed by a seven-member Board of Commissioners, all of whom are appointed by the City of Memphis Mayor, of which two are nominated by the Mayor of Shelby County. All are confirmed by the City Council for seven-year terms. Members must be qualified community leaders in the fields of Aviation, Engineering, Law, Industry and Finance. While it is no longer required, tradition has held that the Authority should include a pilot, someone from the financial industry, a practicing attorney, and a licensed engineer.

Selection Process:

- 6 members appointed by the City Mayor. Confirmed by the City Council.
- 1 member appointed by the County Mayor. Confirmed by the County Commission.

Membership:

- City -- 6
- County -- 1
- Total -- 7

- Terms of Members: 7 years.

Port of Memphis

The Mississippi River Port of Memphis connects the city to 25,000 miles of interconnected inland waterways. It houses three still-water harbors, including public terminals, loading facilities, grain elevators, and intermodal connections. A number of public barge lines serve the system, and direct water transportation is available to most of the world. The Port of Memphis is the largest still water harbor on the Mississippi River and the national leader in inland handling of foreign import tonnage. The port is the second largest inland port on the lower Mississippi and the fourth largest inland port in the nation. The port harbors 44
private terminals and eight public terminals. Several terminals have cranes available in the 100-300 ton class.

**Memphis & Shelby County Port Commission**

**Selection Process:**

- 2 members appointed by the County Mayor and confirmed by the County Commission.
- 3 members appointed by the City Mayor and confirmed by the City Council.
- **Membership:**
  - County 2
  - City 3
  - Total 5
- **Ex-officio -- 3**
- **Function & Authority:**
  To promote regional economic and industrial development with an emphasis on waterborne commerce and intermodal activities, while maintaining and enhancing the natural environment.
- **Terms of Members:** 2 years

**Super Terminal Memphis**

In association with the Memphis Uniport Association, the Memphis and Shelby County Port Commission has proposed to develop the Super Terminal Memphis which would be the largest joint intermodal facility in the United States. Because of congestion and insufficient space to expand current facilities, several railroads have considered relocating intermodal and other rail facilities outside of Memphis - according to a Carter-Burgess report that evaluates railroad operations at Memphis. The facility would be built on 3,500 acres (1,400 hectares) of developable land at the largest municipally owned industrial park in the Mid-South. Infrastructure at the industrial park - presently under construction - will include full water, gas and electric services, major drainage, a major arterial road connector to Interstate 55, railroad lead tracks, and a 175-acre (70-hectare) harbor facility.
Rail

Six Class-I railroads operate 96 freight trains in and out of Memphis daily, offering direct interchange with reciprocal switching. All six major railroads serving Memphis offer in-bond container service. Class I railroads account for 93% of the rail industry’s freight traffic. All of these railroads provide piggyback and container service, with 96-hour service to and from the West Coast and overnight service to and from Chicago. The city has four double-stack trains operating to California, Seattle and Portland. Its rail carriers’ piggyback runs can reach L.A. in 52 hours. Microbridge service provides combined overland/ocean shipment on a single bill of lading at lower rates.

Systems serving Memphis are:

- Union Pacific/Southern Pacific
- Burlington Northern Santa Fe
- CSX Corporation
- Norfolk Southern
- Illinois Central
- Kansas City Southern Railway

Highways

Interstate 40, a major east/west transportation route across the United States, intersects in Memphis with Interstate 55, a major north/south route for the central U.S.. In addition, seven U.S. highways converge in Memphis: Highways 51, 61, 64, 70, 72, 78, 79. Interstate 40 and Interstate 55 span the Mississippi River at Memphis. Interstate 240 encircles the city allowing shippers to bypass inner-city routes. There are 163 truck terminals operating in Memphis offering direct service to all 48 contiguous states as well as Canada and Mexico. Truck transportation to and from Memphis is provided to all 48 contiguous states by over 200 fixed-route, regularly-scheduled common carriers without interchange.

Distribution & Warehousing

The industrial segment of real estate remains the city’s strongest, particularly in the warehouse, light industrial and service-oriented subgroups. Memphis boasts more than 130 million square feet of distribution space and more than 89,000 people (21% of the workforce) employed in distribution and related industries. In 1998, Fortune Magazine cited Memphis-based Ingram Micro as America’s largest distribution company.

3.3 Institutional Challenges & Opportunities

Ownership

Of the prospective sites for the International Trade Processing Center, both Kansas City International Airport and Richards-Gebaur are presently owned by the City of Kansas City, Missouri’s Aviation Department. Given their existing freight-related efforts at both facilities, it is highly likely that the City would elect to exploit the unique resources of both sites to develop international trade capabilities. However, bi-state support and the availability of regional resources will likely require that the City of Kansas City, Missouri accept input from a policy board with representation from both sides of state line. As a projected satellite operation, KCI would have some coordination with the policy board. However, input at the central operation would require much more attention.

On a local level, examples of bi-state cooperation include the Union Station redevelopment and current bi-state ground transportation planning. On a national level, many examples exist demonstrating multi-jurisdictional regional approaches to development of comparable airport/port facilities. Examples explored in this report include a city/county partnership in Columbus, OH, a city/county/state partnership in Louisville, KY and multiple bi-state partnerships in the Memphis area entailing a Mississippi/Tennessee industrial park and an Arkansas/Mississippi/Tennessee riverport development effort.

ITPC operations at private facilities pose a different, equally challenging question. Could the public sector support an effort at a private complex and would a private owner/developer accept input from a quasi-public policy board? Given existing precedent,
the answer to both questions should be affirmative. Ultimately, the ITPC will be absolutely reliant on private users who will only use the facilities and services if an operating improvement is gained. Regardless of whether the facilities are owned by the public or private sector, ITPC will ultimately include a mix of private operators: customs brokers, freight forwarders, international bankers and - most importantly - rail and truck carriers. While these operators will provide the local business community with a “public good” in the form of enhanced international trade capabilities, the ITPC’s ability to attract private operators depends upon convincing these businesses of the commercial potential. Pursuant to the willingness of private industrial park developers to accept public input, it should be pointed out that area foreign trade zones - including Hunt Midwest - already are subject to governance by the Greater Kansas City Foreign Trade Zone Board which approves their facilities and FTZ operating plan. Several of the successful inland ports considered in this study also involve public/private partnerships. Private sector participation is essential to the ITPC concept.

**Regional Competition**

The success of an ITPC based in the Kansas City metropolitan area is dependent upon the “economies of scale” gained by serving a much larger service area. In other words, the Kansas City area would served as a consolidation hub for freight with both an origin and destination beyond Kansas City. For example, exports from Mexico to Iowa, Nebraska and the Dakotas would be brought to Kansas City for clearance. Through this type of consolidation, Kansas City would gain more transportation (air, rail and truck) frequencies, as well as employment growth as local workers would be required to separate containerized freight for onward shipping to other individual Midwestern states.

Gaining the participation of surrounding states will require that other regional interests recognize that a Kansas City-based operation provides savings in time and money for their operations. This effort must be accomplished in communities like Des Moines, IA and Tulsa, OK which may perceive that they are equally suited to provide comparable services and local benefits. Gaining the cooperation of other Midwestern markets will require that many of the “regional philosophies” espoused by various corridor associations be answered with tangible commitments. The communities along the NAFTA corridors (Interstates 35 and 1-29) must be convinced to emulate the successful automobile manufacturing corridors and research corridors (Interstate 55, I-65, I-95).

### 3.4 Regulatory Issues

The ITPC will interact with a myriad of regulatory interests executed by multiple agencies. U.S. Customs is the primary federal agency regulating the processing of imports into the United States. However, grain and other agricultural exports and imports passing through the ITPC will require the ongoing participation of the U.S. Department of Agriculture’s Animal & Plant Health Inspection Services to certify agricultural exports and to inspect agricultural imports. The U.S. Department of Transportation will be essential to address rail
and truck issues. Ultimately, the efficiency gains provided by the ITPC will also depend upon the regulatory policies and procedures implemented by Canadian and Mexican agencies, as well. While technology has facilitated greater procedural latitude in the traditional Customs functions (duties and documentation), public safety concerns allow less flexibility for Agriculture and Transportation. Consequently, the seamless border concept has tremendous potential for the movement of goods and easy flow of information (documents), but will necessarily have limitations in terms of inspection of vehicles and prospective food items.

**Relocation/Expansion of Federal Inspections**

This section presents individual regulatory issues pursuant to the Departments of Transportation, Treasury (Customs), Immigration and Agriculture. While all four of these agencies are important to the prospective ITPC, the availability of Customs and Agriculture inspections will be absolutely critical. Providing these services may require an expansion of services to include additional inspection facilities, rather than the re-location of inspections. To ensure that these benefits are available to existing businesses, as well as prospective international traders, inspections must be available at satellite operations. As noted in the Case Studies, Louisville is attempting to re-locate their federal inspection agencies from downtown to their international airport. The U.S. Customs port director in Louisville has projected that local officials will need three or four years to “negotiate federal red tape” to establish the new facility, noting that Customs would need to be complemented by agents from Immigration and Agriculture. One additional challenge facing the Kansas City effort is that the limited number of Customs and APHIS agents assigned to Kansas City would likely be insufficient to cover additional cargo volumes and inspection locations. Fortunately, Customs already intends to move their staff from their current facility and thus, would be less reluctant to re-locate. Whether moving or expanding the local federal inspection services, the Kansas City effort will require substantial, coordinated lobbying from the U.S. Congressional delegation, as well as state and local public and private sector representatives.

**Trucking Access**

Trucking accounts for 80% of U.S.-Mexico freight movements. Under the terms of NAFTA, Mexican and U.S. commercial trucks were supposed to gain reciprocal access rights to each other’s border states on December 18, 1995. Furthermore, NAFTA directed that on January 1, 1997, Mexican trucking companies could begin filing applications to distribute cargo originating in Mexico within the entire United States. Citing safety concerns about Mexican trucks and drivers, as well as claims that Mexican commercial trucks serve as conduits for illegal drugs, the U.S. unilaterally announced it would not adhere to the trucking components of the treaty. U.S. Department of Transportation officials, speaking with the Journal of Commerce on the condition of anonymity, have said that the border will not open until Mexico has more sophisticated, computerized data on safety, driver history and company history. Ultimately, the U.S. wants proof that Mexico will have similar regulatory and safety oversight as the other two Nafta countries.
Presently and continuing until the U.S. honors the NAFTA covenants, freight coming into the U.S. by truck from Mexico must be delivered to customers within the commercial zone of the U.S. cities along the border, or else transloaded to a US trucking company within that zone. Mexican truckers have no operating authority beyond those commercial zones. The delay in border-opening provisions has compromised the seamless environment where a U.S. trucker could carry a load deep into Mexico with only a momentary stop at the border.

While U.S. regulations require drivers to keep logbooks and place a 10-hour limit after which drivers must be “off duty” for a minimum of 8 hours, Mexican regulations neither require drivers to keep logbooks, nor do they limit the number of hours truck drivers may work continuously. In contrast with U.S. regulations, Mexican trucks are not required to have front wheel brakes. While the U.S. industry limit is 80,000 pounds, Mexico allows 97,000 pound gross vehicle weight. However, Mexico limits the maximum overall vehicle length, effectively barring the 53-foot semi-trailers used in the United States.

Neither Mexican truckers or U.S. truckers have vigorously protested the continuing prohibitions. Along with the tougher anti-drug measures, truck safety and inspections of driver history, Mexican carriers would be subject to workers compensation laws and other state regulations in Arizona, California, New Mexico and Texas.

Given the fear of crime in Mexico, especially truck hijacking, U.S. truckers would be at least as reluctant to operate in Mexico. Crime in Mexico has caused serious operational and insurance problems with Proctor & Gamble's Mexican operation having lost 31 trucks to hijackers from January 1 through March 19, 1996 alone. Other companies, such as Levi Strauss and Sony, have difficulty getting truckers to transport their freight. Quite a few U. S. shippers of high-value merchandise are shipping by water, rail or air. Compounding the theft/hijacking problem, Mexico requires that truckers insure cargo for only 17 cents a ton. The United States, by contrast, requires practically complete coverage, and Canada requires $2 per pound. Premiums for additional insurance on cargo going to Mexico are very high.

M.S. Carriers' Inc., Memphis, reports having no intention of running its $100,000 tractors into Mexico, citing unreliable law enforcement and the difficulty of locating truck stops and modern maintenance facilities. Similarly, Contract Freighters Inc., Joplin, Mo., a truckload carrier and a dominant player in the U.S.-Mexico long-haul trade, does not expect most large long-haulers to jump into Mexico. Contract Freighters expects partnerships and core-carrier relationships between U.S. and Mexican trucking companies to be maintained or perhaps, strengthened by NAFTA. Contract Freighters has arrangements with 80 Mexican trucking companies, so trailers can be handed off at the border. CFI handled about 75,000 truckloads, inbound and outbound, from Mexico last year, representing as much as 56% of the company's business.

Roadway Express Inc., a leading LTL carrier, has entered into a contract with Autotransportes Especializados GM Express of Nuevo Laredo and Servicios Corporativos de Transporte of Guadalajara. The companies will supply 24 new tractors dedicated exclusively to Roadway that will be used to service hundreds of destinations within Mexico.
Qualcomm satellite tracking equipment will be installed in all tractors operating within Mexico and will provide two-way, in-cab communications capability. Roadway reports operators working the units in Mexico will have commercial driver's licenses with necessary endorsements to handle hazardous materials, Customs in-bond shipments and twin 28-foot trailers.

Mexpress Transportation, Inc. formed a partnership with Transportes Petic, which has terminals and operations throughout Mexico, and with a Mexican customs broker. Mexpress loads trailers in the U.S. and moves them to the border, where the freight is processed by its Mexican broker-partner. Then, the load is picked up by Transportes Petic and carried to its own terminals in Mexico. The trailers are de-vanned and the goods are shipped to the destination in Mexico. By offering a single through bill of lading, electronic tracking, sleeper teams and extensive use of Mexican toll roads, Mexpress can move LTL shipments from Los Angeles to Guadalajara in five days and Mexico City in six days. Mexpress also offers an expedited service that competes with air freight. The expedited service will deliver from Los Angeles to Guadalajara in 48 hours and Mexico City in 60 hours, generally for 17 cents a kilogram, vs. 90 cents a kilo by air freight.

In September, 1998, Consolidated Freightways, a major less-than-truckload (LTL) carrier, became the first U.S. trucking company to own and operate a subsidiary in Mexico under the investment provisions of NAFTA. It runs the subsidiary unit in conjunction with Alfri-Loder Group, Monterrey, under the name Transportes CF/Alfri Loder. CF has terminals in the four Texas border cities of Brownsville, McAllen, Laredo and El Paso and also in Mexico City, Guadalajara and Nuevo Laredo. As a consolidator, CF offers shippers expedited motor and air carrier services. In addition, CF’s Linkup Service merges cargo en route into a single delivery for clients combining shipments from several different points of origin. CF is still doing what competitors must do -- hand off freight at the border to a connecting carrier. Because of Mexico’s complicated and archaic import regimen in which licensed customs brokers must clear all shipments, CF must also clear customs much in the same slow fashion as any other trucker.

Alfri Loder is a Monterrey-based conglomerate with real estate and natural gas holdings in addition to a trucking arm that includes the truckload carrier Transportadora Universal. As required by the current Nafta investment provisions, Alfri Loder will have a 51% controlling stake, with CF retaining a 49% interest, and the company is headed by a Mexican national. The two companies also formed a 50-50 joint venture for a service company that provides logistics and warehousing.

Four U.S. companies have become cooperative members of Canacar - Mexico's national trucking association. The U.S. trucking companies will not be able to vote but will have a voice in Canacar. The carriers are Contract Freighters Inc., Roadway Express, Celadon Trucking Services Inc. and Schneider National. According to Canacar, the four U.S. carriers have pledged not to offer national trucking services.
Canacar resists any efforts to open up cabotage, or domestic point-to-point carriage, to non-Mexican operators. Some truckload carriers like Schneider National and M.S. Carriers have invested in Mexican partners through controversial "neutral investment laws" that have been attacked by the Mexican trucking association Canacar as illegal under domestic transport law and the NAFTA. Those investments involved carriers focused on the domestic market or lacked Mexican ownership and were controversial because they focused on the huge truckload market.

Under NAFTA, domestic trucking is to remain in the hands of national carriers, but international carriage would be opened to competition slowly -- first at border states and then throughout North America. The delay in the border opening has ultimately been to the advantage of Mexican truckers, who are not in a position to compete with their better-financed and -equipped northern counterparts. The global financial crisis has driven down the value of the peso and substantially raised the cost of credit in Mexico.

**Border Brokers**

Under present Mexican law, all imports must be processed by Mexican customs brokers. Foreign truckers are not permitted in the country. In the U.S., Mexican truckers are restricted to designated commercial zones along the border.

Border cities like Laredo have capitalized on serving cross-border traffic and catering to its inefficiencies. Customs brokerages, trade finance services, warehouses and forwarders, among others, have all grown up around the need to process paperwork at the border, to store goods awaiting shipment, and to load and unload goods onto trucks. The trade-related service infrastructure took decades to build and cannot easily be replicated.

Similarly, border brokers cite the difficulty for U.S. drivers in finding a delivery point on unmarked streets in the Mexican interior or in understanding the language -- not to mention the lack of truck stops, differences in fuel quality, growing truck hijackings and similar problems – as reasons why major trucking companies have no intention of immediately launching a service into Mexico. Border operators believe that what is likely to evolve is a streamlined interchange process for trailers and shorter delays for freight that does not need to stay at the border. Even after the regulatory motivations expire, it is likely that local private operators will attempt to prolong the need for carriers to stop at the border.

**In-Bond Clearances**

While importers previously have had the ability to move goods in-bond\(^2\), the U.S. Customs Service has launched a system that allows customs brokers and importers to get approval *electronically* to move uncleared goods within the United States. Customs anticipates that the system will eventually eliminate paper documents for "in-bond" shipments, which account for about 30% of all imports processed by U.S. Customs.

\(^2\) "In-bond" because Customs can go after a carrier's bond if the goods disappear or duties go unpaid.
Until now, customs brokers and shippers handling their own goods were at a disadvantage because they had to submit actual documentation to Customs to gain permission for an in-bond move. By contrast, air and ocean carriers arranging in-bond movements had the benefit of using an Automated Manifest System. The launch of the system will allow goods to move faster through the transport system.

The system interfaces electronically with the Automated Manifest System and is only available for ocean and rail in-bond shipments. The system is available for use by anyone who creates and files Form 7512, the main in-bond document. Several software providers offering Customs systems applications are preparing applications. By Jan. 1, 1999 the program will be available to about 1,125 customs brokers, roughly half the brokers that participate in the Automated Broker Interface System for filing import documents.

What makes the system beneficial for customs brokers is its ability to quickly provide the "IT" number, which must accompany the entry package submitted to Customs. Traditionally, brokers had to wait for the steamship line, breakbulk agent or bonded warehouse to provide the number before submission could be made.

According to Customs, about 75% of in-bond shipments move from the port or border to an inland point and then get cleared. Another 15% move from one port to another port and are then exported, and the remaining 10% are goods that move in and out of a single port without ever being cleared. Of 7 million shipments that moved in-bond in the 1997 fiscal year, half were executed with paper documentation and the other half moved through air or ocean AMS systems.

**Insurance**

When a Mexican truck crosses into the United States, U.S. border officials inspect the driver's paperwork, and demand proof of insurance from a company licensed to do business in the United States. Such insurance is not available from a Mexican provider. The reverse takes place with U.S. and Canadian trucks going into Mexico, because Mexico bars foreign companies from providing liability insurance in Mexico. American and Canadian drivers must obtain a Mexican policy if they intend to venture into the Mexican interior. Insurance is much more of an issue on the U.S.-Mexico border than it is with Canada. Trucks now pass freely between the United States and Canada under a "yellow card" system in which a trucker possessing such a document is guaranteed liability coverage on either side of the border.

The inability to obtain single policies applicable in both countries has caused the National Association of Insurance Commissioners to adopt a white paper outlining ways that Canada, Mexico and the United States can achieve seamless insurance for motor carriers transporting

---

3 "IT" refers to immediate transportation, the type of in-bond shipment that moves from the port of entry to an inland point and then clears customs.
goods between the countries. The Association has made three recommendations for eliminating insurance as a barrier to truck trade between the United States and Mexico. First, it wants a uniform liability insurance form like the U.S.-Canadian yellow card. Second, it recommends that insurance companies provide seamless cover through powers of attorney and the use of endorsements to ensure that claims are paid to claimants in the case of an accident involving personal injury or property damage by a foreign trucker. Finally, it recommends that U.S. authorities continue to monitor legal reforms in Mexico. The insurance issue is being addressed by the governments of all three NAFTA countries.

On a related liability issue, one of the biggest remaining obstacles to liberalizing truck trade is the difference between Mexican and U.S. laws on accidents. Mexico treats accidents much more severely, subjecting drivers to criminal liability for accidents that on U.S. roads or highways would be a civil matter only. Under U.S. law, unless the driver is criminally negligent or intoxicated, there will be no criminal prosecution involving detention of individual or impoundment of vehicle. In Mexico, there is a two-tier system in which an accident that causes bodily injury or death is automatically treated as both a criminal and civil matter.

Commercial Documentation

To allow surface transportation carriers to freely traverse the North American borders, the transportation industry in all three countries critically needs to harmonize their practices on documentation. Among legal experts presently involved in establishing transportation policies between the NAFTA partners, prevailing recommendations concentrate on the creation of a Uniform North American Bill of Lading for use in the NAFTA region. Recommendations include the adaptation of the bill of lading to electronic data interchange (EDI).

Immigration

Section 110 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 required the Immigration and Naturalization Service to have in place by September 30, 1998, an automated system to document the entry and departure of every "alien" arriving and leaving the United States. The provision is widely viewed as an ill-structured congressional amendment solely intended to control exits at airports. Unfortunately, it also included the land borders where tens of millions of people cross back and forth daily between the United States and Mexico and between the United States and Canada.

Eighty per cent of U.S. exports to Canada and 70 per cent of total bilateral merchandise trade is shipped by truck. More than 30,000 commercial vehicles now move across the Canada-U.S. border every day. Currently, trucks delivering goods from the United States to Canada are required to stop only on the Canadian side of the border to clear customs and immigration. Under Section 110, drivers and passengers in all vehicles would first have to stop on the U.S. side to show proof of citizenship so that the departure of non-U.S. citizens could be documented. Heading south, truckers, and all others, would again have to stop so
that non-U.S. citizens could be registered. No matter what their nationality, truckers would be caught in the massive congestion that would result from the new entry and exit controls.

The American Trucking Association opposed implementation of Section 110. Robert Farrell, president of the National Automobile Transporters Association, estimated additional border delays for truckers as long as 17 hours, with the higher costs passed on to shippers. On October 21, 1998, the U.S. Congress postponed implementation of Section 110 at land borders and seaports for 30 months (until March 30, 2001). While relieved by the postponement, U.S. and Canadian trucking companies and major shippers continue to press for a permanent revocation of Section 110’s application to Canada.

**Agriculture**

Due to public health concerns, agricultural goods (animal and plant products) are subject to inspection criteria beyond the typical quality and dutiable value concerns of manufactured goods. Doubtlessly, some inspection requirements amount to non-tariff barriers to trade or retaliatory responses to another country’s measures.

While both agricultural and manufactured goods may move in-bond into the U.S. interior, Canadian or Mexican poultry - for example - still must be examined at the quarantine station of the border port of entry. Both pork and poultry draw elevated concern due to the potential transmission of cholera and other infectious diseases. Demonstrative of regional distinctions, avocados from Mexico may be imported into the U.S. Northeast, including Illinois but not to neighboring Missouri. The reason given is that the Mexican avocado beetle can not survive extreme cold. The overland entry of parasites has become an elevated concern as federal agents have speculated that the current Asian Longhorn beetle crisis originated in Asian agricultural products trans-shipped into the U.S. through Canada.

Agricultural exports to Canada and Mexico are similarly scrutinized by their respective governments. Mexico is unique in world grain markets in that its primary use of corn is for human consumption rather than livestock feed. Consequently, Mexico has stricter quality and phytosanitary requirements for grain imports, requiring certification by federal Animal & Plant Health Inspection Service (APHIS) agents in the originating market.

For U.S. grain exporters of all commodities, Mexico is also unique in that the overland access allows for less handling between points of loading and unloading, more specialized purchasing, less variation in shipment quality due to smaller lot sizes, lower inventory costs from more frequent purchasing, and access to less costly sources of supply in the U.S. Ultimately, these unique features allow a broader section of the U.S. grain industry to participate in the Mexican market than any other U.S. export markets. While trucks account for 80% of the overland freight between the U.S. and Mexico, rail accounts for the majority of grain shipments. On March 24, 1998, Union Pacific/Southern Pacific railroad had to embargo shipments into Mexico to alleviate a backlog of 5,500 rail cars destined for Laredo which railroad officials attributed to delays arising from inefficient Mexican Department of Agriculture (SAGAR) inspections on southbound grain trains entering Mexico. Later,
USDA intervened with SAGAR to improve inspection procedures at the border and to remove the UP/SP embargo.

To ensure efficient agricultural trade, NAFTA specifically requires that the U.S. and Mexico agree that where either adopts or maintains a measure regarding the classification, grading or marketing of a domestic agricultural good, it will accord no less favorable treatment to similar goods imported from the other country for processing.

While NAFTA’s Article 712 recognizes each country’s right to establish any sanitary or phytosanitary measure necessary for the protection of human, animal or plant life or health - even if the measure is tougher than an international standard - NAFTA dictates that such measures should be:

- Based on scientific principles and a risk assessment;
- Applied only to the extent necessary to provide the country’s chosen level of protection; and
- Applied in a non-discriminatory manner to similar goods or conditions of a NAFTA exporting country.

In addition to grain, the local APHIS office must certify exports of meats, flour, and wood products (chips, lumber, veneer). As there is only one APHIS agent assigned to the Kansas City market, any substantial increase in agricultural inspection and/or certification would strain the limited resources. Presently, St. Louis has four APHIS agents. In addition to manpower, Kansas City would also need initial or additional certified facilities for fumigation and incineration of products which are found to contain harmful pests. Potentially delaying local clearance of imported agricultural products, Kansas City does not presently have a USDA-approved identifier of such pests and therefore, questionable samples would have to be shipped to the regional inspector in New Orleans for review.

### 3.5 Summary & Recommendations

The objective of this component of the study is to assess the institutional and organizational requirements to provide enhanced international trade processing capabilities in the Kansas City area.

**Institutions/Organizations Involved In International Trade**

The analysis began with an inventory of existing trade-related institutions and organizations - federal, state and local - operating in the metropolitan area. Of these institutions, the most critical are the federal inspections agencies with Kansas City offices - Customs, Agriculture,
Transportation and Immigration. For the ITPC to be effective, these inspection services must be available on the premises. This could be accomplished either by moving or expanding existing operations. Either way, it is anticipated that the services will be provided at more than one site. For non-federal agencies, geography will be important in garnering support for the ITPC.

Some private, not-for-profit agencies, including the Chamber, the Mid-America Regional Council (MARC) and the Area Development Council (KCADC), are relatively insulated from the limitations of state boundaries. These three entities are certain to play essential roles in future implementation and development of the ITPC. These roles vary from applying for planning grants to marketing and industry recruitment. The Chamber-affiliated Heartland Freight Coalition was individually recognized as both a bi-state model and a future partner for the ITPC. The North America’s Superhighway Coalition (NASCO) and North American International Trade Corridor Partnership (NAITCP) were also recognized as prospective allies in marketing the ITPC throughout the relevant corridor.

The local public entities also will be essential but will be limited by their jurisdictions. Specifically, the Economic Development Corporation of Kansas City, Missouri (EDC) may be a primary implementing agency for ITPC operations potentially located at Richards-Gebaur and/or KCI. Similarly, the Wyandotte County Unified Government would be relied upon to provide economic development support for an ITPC operation in their jurisdiction - possibly around the Kansas Avenue railroad district.

Inland Ports – Case Studies

To provide insight into the administrative and operational features of other inland port efforts, this section presented case studies of Battle Creek, MI, Columbus, OH, Indianapolis, IN, Louisville, KY, and Memphis, TN. While none of these efforts include the breadth of activity - particularly, the international trade inspection innovations - projected for the ITPC, they do provide insight for the potential organization and development of intermodal distribution complexes. Providing contrasts, the KC ITPC is not projected to be as air cargo intensive as the FedEx-dominated Indianapolis and Memphis efforts or the UPS-dominated Louisville effort. Similarly contrasting, Kansas City’s seasonal river barge service does not equate to the year-round barge traffic offered by Louisville or Memphis. On the other hand, Kansas City’s rail and truck capabilities - the two primary modes projected for the ITPC - are equal or superior to any of the markets studied. Given the distinctions in priority transportation modes, the greatest insights derived from these other market’s abilities to organize and implement freight-based development strategies.

Columbus, Indianapolis, Louisville and Memphis have an Airport Authority form of public administration for their airports. While maintaining Authority oversight, Columbus and Indianapolis have hired private airport management to execute the business functions of their airports. While both Louisville and Memphis include City and County appointees on their Airport Authorities, Louisville also includes appointees from the Governor of
Kentucky. Battle Creek’s airport is operated as a division of the City’s Economic Development Council.

For their respective river ports, Louisville and Memphis have created separate Port Commissions. Both of these river ports include substantial industrial parks for distribution and manufacturing industries. While all of Louisville’s port commissioners are appointed by the County Judge Executive, Memphis divides its commissioners between the City of Memphis and Shelby County. Columbus has an Inland Port Partnership formed by the City of Columbus, Franklin County, Rickenbacker Port Authority and Greater Columbus Chamber of Commerce. While this Partnership controls no specific piece of infrastructure, the Partnership coordinates marketing and development efforts between Rickenbacker International Airport and the region’s other transportation resources.

As corroborated by reviews of local newspapers and business journals, all of these efforts have leveraged their transportation resources to support a wealth of distribution and manufacturing expansions by time-sensitive companies. In addition to efficient transportation, each market has developed warehousing capabilities typically matched with foreign trade zone benefits.

In addition to mixing City and County appointees in their infrastructure commissions, both Louisville and Memphis have reached across state lines on regional economic development efforts. Memphis is in the initial phase of development of a single industrial park that will be constructed through the Mississippi-Tennessee state border. While bonding capabilities have typically relied upon a single political entity in each of the scenarios presented, the cooperation between states, counties and cities have produced dividends in coordinated marketing programs and operational budgets.

**Institutional Challenges & Opportunities**

The most obvious institutional challenge facing the ITPC is the matter of ownership of the facilities. To develop at a privately-owned industrial park (for example, Hunt-Midwest) would require the acceptance of a largely public effort directly benefiting a private developer. On a related note, any site selection decision must also consider the need to limit the competitive advantage that the ITPC may convey to certain truck and rail carriers versus their competitors. More directly, the most prudent effort must be invested in ensuring that the ITPC makes the greatest possible use of existing operators in the metropolitan area and provides the optimal practical access to all carriers - again, justifying a multiple site approach.

Development at a public facility is likely to introduce parochial and jurisdictional limitations. If a majority or all of the ITPC operations were located on one side of the state line, the effort would risk losing the metropolitan area support that is critical to achieving economies of scale. Publicly-owned facilities also evoke questions about the willingness of local governments to consider input from a prospective bi-state coalition.
In addition to considering bi-state concerns, the operators must also address the prospect of regional competition. To fully exploit the area’s freight movements, the ITPC must “capture” the opportunity to add value to freight transfers moving through the metropolitan area. For example, local labor could consolidate, process or re-package commodities moving between Mexico and the U.S. Northwest or moving between Canada and the U.S. Southern states. The local operators will attempt to exploit these opportunities in the face of regional rivalries whereby other corridor cities like Des Moines and Tulsa are likely to compete for the same opportunities. To the extent possible, entities like NASCO and NAITCP should be utilized to maximize corridor cooperation and minimize unhealthy competitive practices.

**Regulatory Issues**

While the ITPC operators and their metropolitan area allies would be wise to influence their regulatory environment as much as possible, many of the regulatory challenges can be recognized and - perhaps - partially mitigated, but rarely can these federal trade regulations be adapted to local initiatives. One of the few issues that can be influenced is the allocation and location of federal agents. If the ITPC is successful in increasing the volume of international trade processed locally, U.S. Customs and Agriculture may need to increase their local manpower. Just the augmentation of locations, alone, may be sufficient to require additional employment. Gaining these agents and operations will require a coordinated, effective lobbying effort at the federal level.

Among the regulatory issues that invite less local influence are federal health and safety policies which have manifested themselves in trucking and agricultural conflicts with Mexico. By comparison, conflicts with Canada have been more concerned with commodity-specific, competitive concerns. Contrary to the terms contained in the NAFTA, the U.S. has still not opened its Southern border to Mexican trucking companies. In the reciprocal punishment negotiating environment that typifies U.S./Mexican relations, Mexico has imposed similar limitations upon U.S. trucking and transportation intermediary (forwarders and customs brokers). For their part, many U.S. and Mexican trucking companies have maintained that the added risks of operating in a foreign country and the effectiveness of their current alliances leave little motivation to utilize their own equipment in both countries.

Ultimately, the result has been an entrenched community of intermediaries which are mostly sustained by the latent complications and inefficiencies inherent at the U.S./Mexico border. It is certain that these operators will combat any initiative - such as the proposed KC ITPC - that facilitates a smooth passage through the border.

Other issues are more procedural than policy. Cross-border alliances have championed the creation of uniform requirements for insurance, commercial documentation, agricultural certification and transportation equipment restrictions. On these matters, the KC ITPC is likely to be influenced only when industry and national policies - as a whole - evolve and will thus, gain neither a competitive advantage or disadvantage.

**Recommendations For Administration of the KC ITPC**
In terms of the cities analyzed in the case studies, the Kansas City area has similar cumulative distribution resources, but greatly contrasts with the administrative models of successful “inland ports”. Using the administration of its airport as an example, Kansas City’s operation of the airport system as a department of the City of Kansas City, Missouri contrasts with the Airport Authority administration of the other cities. The contrast is exponential when compared with the private management contracts of Indianapolis and Columbus (Rickenbacker).

The City of Kansas City, MO’s creation of the Port Authority - an affiliate of the Economic Development Corporation of Kansas City, Missouri - is more typical of national practices. The Port Authority’s long-standing operating contract with the private Mid-West Terminal Warehouse Company is not an uncommon practice either.

Most inland river ports are legal entities of a state with a charter held by a City and or a County. However, some very successful, innovative inland river ports are privately owned and managed. A publicly-owned port may either be governed by an authority or a commission. The difference varies from state to state but - in general - an authority has more management and legal autonomy than a commission. The managing body usually includes a board of commissioners composed of appointed citizens and a paid staff under the control of a Port Director.

Given the balance of business operating on both sides of the Kansas/Missouri state line, a bi-state organization may be preferable to direct the initiatives and plans of the KC ITPC. At least until physical sites have been selected, bi-state input will continue to be essential. Even if the initial sites should be physically located on only one side of the state line, the technology could be spread later to sites across the state border and should not be inhibited by administrative limitations.

Drawn from other examples, the proposed Board/Commission would comprise between eight and ten individuals from the private and public sectors, possessing familiarity with transportation and development issues in the Kansas City region. Given the area’s geographic division and population distribution - combined with the requirements of governmental regulations - this scenario most clearly addresses the needs of the ITPC. In addition to setting policy, the administrative entity must be capable of receiving funding and grant monies from federal, state, and local governments. This administrative entity would likely contract employ professional operators for the center. The participation of private enterprise on the board of directors would ensure both public responsibilities and market forces are considered in policies of the center.

3.6 References

Ashley Weaver, Export Loan Officer, State of Missouri Development Finance Board, Jefferson City, MO.
John Schneider, International Marketing Specialist, Missouri Department of Economic Development, St. Louis, MO.

Tom Hodge, Export Finance Director, Kansas Department of Commerce & Housing, Topeka, KS.


“1998 Kansas International Trade Resource Directory”, Kansas Department of Commerce and Housing - Trade Development Division, Topeka, KS.

“Greater Kansas City International Guide”, a November 1997 collaborative publication of the Chamber of Commerce of Greater Kansas City, Sprint International and the Institute of International Education (IIE), Kansas City, MO.

“International Business Directory of Greater Kansas City”, Greater Kansas City Chamber of Commerce, Kansas City, MO.


“Heartland Freight Coalition - Fall 1998 Update”, Greater Kansas City Chamber of Commerce, Kansas City, MO.

“Mid-West Terminal Warehouse Company” Web site.

“Fact Book: Kansas City, Missouri” publication of the Economic Development Corporation of Kansas City, Missouri.