



North America Works

IN KANSAS CITY

2007 Report



KANSAS CITY
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North America Works: the next steps



"Intense global competition is reshaping how businesses compete and how commerce functions." With this comment, Georges Rioux, Canadian consul general in Chicago, set the tone for the 2007 North America Works Conference.

From Oct. 18-20, 2007, nearly 200 transportation specialists, university professors and city, state and federal officials from Canada, the United States and Mexico came together in Kansas City, Mo. They explored the economic challenges of shipping, trade and the ultimate development that encompasses the intricacies of moving goods from one place to another.

It was the third North America Works Conference in as many years and a vibrant challenge emerged. Héctor Márquez Solis, Trade and NAFTA director, Mexican Embassy, Washington, D.C., focused on the velocity of unprecedented transportation change in the international business arena.

"Through North America Works, we've discussed changes—discussions bring suggestions. And now we're ready to put all our conversations into action for enhanced trade and security," Solis said.

With cross-border collaboration, North America's transportation leaders are poised to address issues and initiate necessary transformations. They know impediments at border crossings can impact commerce and markets hundreds and even thousands of miles away.

- Each nation individually and collectively is facing the problem of congestion; the situation will be resolved by working together
- "Union" means implementing united endeavors to solve the transportation dilemma, it doesn't mean giving up the sovereignty, principles, values or traditions of any country

- Embrace the corridor, understand border crossings and address the issues
- Young people and young ideas must be nurtured and universities in all three countries must embrace curriculums that prepare the upcoming generation
- The success of a plan to move all three countries forward is based on the investment of human, physical and financial resources
- High-priority corridors can make it easier for goods to move from highway to rail
- Think of doing good for the whole, not merely for one country, one entity.

Even as the last session ended Saturday morning, a resolution penetrated the atmosphere. When these transportation specialists return next year for North America Works IV, they'll discuss how they have put plans into action, rather than what actions should be implemented.

"The work is not happening overnight. But, the work of building a dynamic permanent process that is transforming us into a 'North America that works' has indeed begun," Rioux said.

Opening dinner speakers

Keynote speaker: Georges Rioux, Canadian consul general in Chicago

Bill Skaggs, Mayor Pro Tem, City of Kansas City, Mo.

George Blackwood, president, NASCO Inc., Kansas City, Mo.

Noemi Hernandez, Consul, Mexican Consulate in Kansas City, Mo.

Hector Marquez Solis, Trade and NAFTA director, Mexican Embassy, Washington, D.C.

What makes North America Work?

Strong ties and a sense of fellowship.

With this as his theme, Canadian Consul General in Chicago, Georges Rioux opened the first event of North America Works.

“In the midst of so much change in the transportation industry, intense global competition is reshaping how businesses compete and how commerce functions,” Rioux said.

Canadian-United States trade supports more than seven million jobs. In the state of Missouri, trade with Canada supports nearly 145,000 jobs. Trade crossing between Missouri and Canada holds steady at about \$7.3 billion, Rioux said.

Canada remains, as it does for 35 other states, Missouri’s No. 1 export market, Rioux said.

And there is integrated trade. Companies in Missouri and Canada make cars together; parts are produced in Canada and shipped to automobile manufacturing plants in Missouri and vice versa. In 2006, Missouri’s exports to Canada were dominated by automobiles, trucks and motor vehicle parts.

“The trading relationship between the United States and Canada is unparalleled in the world. The North American Free Trade Agreement (NAFTA) has generated economic growth and rising standards of living for the people of all three member countries,” Rioux said.

Canada and the United States have organized a Canada-U.S. Transportation Working Group. The mission of this group is to facilitate the safe, secure, efficient and environmentally responsible movement of people and goods across the Canada-U.S. border. Multiple transportation and border agencies coordinate transportation planning, policy implementation and the deployment of technology to enhance border infrastructure and operations. Through it all, security, speed and efficiency remain major priorities.



Moving goods and building business along the corridor: the Richards-Gebaur case

Experts in the industry classify the Richards-Gebaur project as one of the most complex real estate transactions of the decade.

For the first time, the five key players involved in converting the former 1,400-acre Richards-Gebaur Air Force base into an intermodal facility and industrial park shared the same stage.

Representatives were present from the City of Kansas City, Mo., Kansas City Port Authority, Kansas City Southern, Hunt Midwest Enterprises and CenterPoint Properties. All are at the front lines of this complex transaction to plan and manage redevelopment efforts of an Air Force base into an international trade-processing center.

“Richards-Gebaur is a success story,” said Warren Erdman, Kansas City Southern.

“It’s a story of persistence,” said Wayne A. Cauthen, city manager, City of Kansas City, Mo.

“(Washington) D.C. did not want Kansas City to close the airport, but it had to be a win-win situation for the city, the federal government and the property managers,” Cauthen said.

It was a four-year stint of negotiations during which time and emotions ran the gamut from hope to irritation to frustration to confusion and back to hope again. Because of the nature of the property, negotiations included eight federal agencies, several state agencies, officials from of the City of Kansas City, Mo., Kansas City Southern railroad and numerous existing tenants.

“There were key issues here,” Cauthen said. “We always had to ask ourselves with every step we took, ‘is it the right thing to do?’ And we couldn’t be too mired into our own way of doing things. Everyone—each government entity and the surrounding communities—had to benefit.”

The months and years of negotiations are over; the first phase of the process, officials navigating the parleying of ideas, has ended. Now the property redevelopment stage is in effect.

The Port Authority, in partnership with CenterPoint Properties, a Chicago-based Real Estate Investment Trust, and Hunt Midwest Enterprises, respected nationally for its underground facilities, currently are in the initial phase of property redevelopment. CenterPoint, a seasoned intermodal developer, has to its credit a model intermodal facility in Chicago, which is the largest development in that city.

Cauthen sees the development of Richards-Gebaur as the economic engine of Kansas City. The Richards-Gebaur International Freight Gateway will include the existing rail facility as well as adjacent industrial, distribution, light manufacturing and warehouse facilities.

In time, it will add more than 4,500 new jobs to the area.

“This is the most unique redevelopment on the planet,” said Lee Derrough, Hunt Midwest Enterprises. “It’s a unique form of real estate.”

Derrough is experienced in the strengths of mining and producing underground property, and said that Kansas City area’s Bethany Falls limestone makes the underground facility possible. He expects that Kansas City will be a transfer point for goods coming in from a 500-mile radius.

“We can distribute goods within a 500-mile market place or interchange it to another carrier,” Derrough said.

“Kansas City is one of the fastest-growing distribution points. This facility will only add to that. The way logistics work, you look for the shortest path, incur the least cost and find the shortest transit time,” Erdman said.

Kansas City ranks No. 1 in rail tonnage in the nation and is the No. 3 truck center in the nation.

Richards-Gebaur International Freight Gateway is already a success story. It facilitates more than 70,000 automobiles passing through annually as a result of a contract signed by Richards-Gebaur and Mazda North America. Kansas City Southern operates a sophisticated rail distribution hub on the property. “We’ve helped Mazda lower transportation costs and secure the future of its Claycomo manufacturing plant and local employees,” Erdman said.

While this intermodal facility element of Richards-Gebaur is highly successful now, the underground storage aspect will take more time.



Fred Reynolds, senior vice president of CenterPoint Properties, said the initial development phase will take about 10 years.

“We have to get the rock out first, set up a processing plant and go through an entitlement process,” Reynolds said.

The underground will provide distinct advantages. “This space provides a constant temperature and a 50-80 percent savings on energy,” Derrough said. “You’re protected from floods, tornados and all weather elements. Basic human numbers point to the success of the project.”

The Richards-Gebaur case is based on partnerships, negotiations, persistence and now a strong future for the area. The end results will provide a strong local tax base, good jobs for local workers and high growth export and import rates.

Richards-Gebaur timeline

- 1941 Grandview Airport opened
- 1955 The airport became a U.S. Air Force base
- 1957 The airport became “Richards-Gebaur,” named in honor of Kansas City residents John Francisco Richards II (an airman killed in World War I) and Arthur William Gebaur Jr. (killed in the Korean War)
- 1976 The Air Force base was deactivated from active duty
- 1991 The Air Force reserve station was closed
- 2000 The airport was formally closed
- 2001 The City of Kansas City, Mo., adopted an international master plan
- 2004 The City arranged for the Port Authority to manage the development
- 2007 The Port Authority signed a redevelopment and sale agreement with CenterPoint Properties, a seasoned intermodal developer, to plan and manage the redevelopment of the former Richards-Gebaur Air Force base into an international freight gateway. Plans include the existing rail facility and adjacent industrial, distribution, light manufacturing and warehouse facilities.

Manitoba Premier Gary Doer: Manitoba’s five-point strategy for corridor development

“North America is made up of three distinct and sovereign countries, but together, we represent one integrated trading powerhouse in the global marketplace,” said Premier Gary Doer, Manitoba Canada, the North America Works afternoon keynote speaker.

The International Trade and Transportation Corridor is really about creating a coordinated and collaborative logistical backbone in North America. But challenges exist, including:

- Infrastructure deficits and congestion—within a five-year span, truck traffic along the corridor grew roughly 48 percent. Transportation infrastructure, however, did not follow suit.
- Technological developments, security requirements and environmental sustainability concerns demand that new, more efficient approaches be used.

In view of these challenges, Doer said Manitoba had developed a “Five-Point Corridor Development Strategy:”

1. Working together
2. Growing our gateway
3. Spending smart
4. Growing green
5. Keeping us safe

Working together goes beyond meeting at major conferences and developing partnerships with organizations such as NASCO and Leaders’ Summits. It includes specific memorandums of understanding as signed with the state of Texas and Kansas City SmartPort.

Growing the gateway involves planning and initiatives for Manitoba’s road, rail, marine ports and inland ports with a view to creating a world-class multi-modal network. This includes outreach in Canada and beyond through the Gateway Council and

internally through the Winnipeg Global Air Traffic Development Project, the Richardson International Airport Project in Winnipeg and the new Churchill Gateway Development Initiative.

“Prioritizing and planning investments in transportation infrastructure is a critical part of keeping the corridor efficient,” Doer said.

Canada is focusing on highway expansions and investing millions of dollars to upgrade the Port of Churchill and connecting the Hudson Bay rail line.

“Along with creating a long-term plan for infrastructure development, we need to ensure that what we do today doesn’t impose environmental, social or financial burdens on our communities tomorrow,” Doer said.

Sustainability and environmental protection dominate the going-green projects, which address harmful tailpipe emissions, energy-conserving technologies and more.

Security dominates. “Measures such as the Western Hemisphere Travel Initiative and the North American Facilitation of Transportation, Trade, Reduced Congestion and Security (NAFTRACS) are aimed at increasing security. These can be great opportunities for our corridor development strategies,” Doer said. “From the exploration of ideas at conferences such as this comes a plan of action; from action comes progress, growth and prosperity for North American trade and competitiveness.”

Maria Isabel Studer Noguez, deputy directory for Canada, Ministry of Foreign Affairs: Competitiveness and the Security and Prosperity Partnership

Each country in North America is accustomed to focusing on its own national perspectives. The Security and Prosperity Partnership of North America somehow modifies this by centering attention on generating jobs



and business transactions in all three countries.

With this message, Maria Isabel Studer Noguez, deputy director for Canada, Ministry of Foreign Affairs, Mexico, discussed the differences between myth and actuality and political agendas and media perceptions as it concerns the Security and Prosperity Partnership.

The Security and Prosperity Partnership of North America is a regional-level dialog with the stated purpose of providing greater cooperation on security and economic issues among Canada, Mexico and the United States.

“The Security and Prosperity Partnership was created (in 2005) to respond to the competitiveness challenges coming from North America,” Studer said.

The partnership is based on a common North American good. While each country puts its political agenda on the table, the value of the partnership lies in the opportunity for the three countries to talk about problems, transportation costs and security measures, Studer said.

“Each country will continue to maintain its own government, its own principles of politics. Individual countries will not disappear. We have no desire to

create a North American Union undermining the sovereignty of any one country. The Security and Prosperity Partnership is a cooperative effort of information sharing, improving productivity, reducing the costs of trade, helping to create jobs and focusing on security," she said.

Studer recognized the political challenge of 2008—the last opportunity for the Bush Administration to address its issues.

"U.S. leadership is a crucial ingredient in the process of economic integration," Studer said. "Without U.S. leadership, I don't see how Mexico and Canada could actually undertake this project to enhance the competitiveness of their own turf."

The Security and Prosperity Partnership creates an opportunity for North America to take advantage of human and capital resources, Studer added. There are, however, missed opportunities.

"According to a *New York Times* article that I read while I was traveling to this conference, the immigration issue is greatly affecting farmers in the United States. Because of immigration enforcement, the number of farm workers has been reduced. In the northwest, the article said, farmers have let their cherries and apples rot because of shortage of workers. Farmers in North Carolina did not plant cucumbers this year because there would not be enough workers for the harvest," Studer said.

Some farmers are now tapping into the guest worker visa program (H2-A), which establishes a means for employers in any job sector with shortages to hire foreign workers to fill these vacancies. This is temporary and of seasonal nature.

"These kinds of issues are missed opportunities. The immigration debate is quite politicized, so we're not sending workers to countries to meet labor needs," Studer said. "The discussion of labor, jobs, transportation and security issues among working groups make the Security and Prosperity Partnership effective."

Building transportation infrastructure for the 21st century

Where has the transportation industry been? Where is it now? Where should it be headed? It is impossible to discuss the future of the industry without reviewing the past?

"How did we get to where we are?" asked Robert Dehaan, U.S. Department of Transportation. "We need just to look at the past to see how far we have come. The transportation industry has had a tremendous string of successes."

It was an industry beset with absurd regulations, Dehaan said. "In the late 1970s, the truck and rail industries were liberalized. Then airline regulations saw relief. It used to be that Washington, D.C., told the airlines what to charge, what kind of airplane to use, even that they were offering too much food, too little food—it actually came to that point," he said. "We've come a long way since then."

After 100 years of coping with intrusive rate-making authority figures, the industry became more liberalized. Now a new problem has emerged: Congestion.

"It's costing the country \$78 billion a year in direct costs, about \$200 billion a year in indirect costs and \$2.9 billion in wasted hours, not to mention the wasted gasoline," Dehaan said.

It's a goods movement crisis.



In trying to facilitate trade across the borders, shippers find there is port congestion all across North America, said Mary Brooks, William Black Chair of Commerce, School of Business Administration, Dalhousie University, Halifax, Nova Scotia, Canada.

"I'm delighted that we are here today discussing a strategic vision for transportation. It's been a long time since I've heard of this kind of thinking," Brooks said.

But there are items not in place—missed opportunities—she said. They include:

- Best practices in reducing numbers of documents have not been put in place
- There's a missed opportunity for education—to the point it will create shortfalls on the management and labor side
- No one is addressing the labor problem—statistics indicate that Americans will be short 111,000 truck drivers by the year 2014 and the Ontario Trucking Association will be short 224,000 drivers by next year
- No one is thinking of asset utilization.

The southern portion of North America has its own set of problems, said Mauricio Flores, new projects manager, SSA Mexico, Mexico City, D.F., Mexico. "Mexico has set up a plan through 2030 to focus on the country's failure in infrastructure and to turn its attention to competitiveness," Flores said.

"Over the next six years, the country has set aside \$250 billion for infrastructure and fiscal reform. More than half that amount will come directly from the government," he said. "This governmental fiscal reform message is a giant leap forward."

The basis of the plan includes key use of Pacific and Atlantic ports and focusing on Twenty-foot Equivalent Unit shipping containers. "In 2004, Mexico shipped 2 million TEUs; contrasted to that, the U.S. shipped 34 million," Flores said.

The challenge is to plan and then execute the vision in order to make Mexico more competitive in shipping cargo whether it be by air, rail, highway or water, Flores said.

The logistics industry has flowed with the changes, said Charles McFeeters, YRC Logistics. YRC Logistics, established in 1947, has made numerous modifications. But now cargo movement poses

special problems because of capacity of the terminals and the congestion.

Stephen Blank, panel moderator, said the 21st century should see the creation of high-priority corridors. "We can't take traffic congestion for granted. We know we have a congestion problem; we need to target a program that will attack the problem where it exists with the three national governments looking at this as a North America system," he said.

"In summary, we have a lot of problems facing us; solutions that worked in the past won't work now," Blank said.

Roundtable panelists

Charles McFeeters, YRC Logistics

Mary Brooks, William Black Chair of Commerce, School of Business Administration, Dalhousie University, Halifax, Nova Scotia, Canada

Manuel Roza, manager of International Public Affairs-Americas, UPS, Mexico City, Mexico

Mauricio Flores, new projects manager, SSA Mexico, Mexico City, D.F., Mexico

Robert Dehaan, deputy assistant secretary for Transportation Policy, U.S. Department of Transportation, Washington, D.C.

Moderator: Stephen Blank, co-chair, North American Transportation Research Council

Strategic intelligence and entrepreneurial development in the services and technology industries

NAFTRACS. North American Facilitation of Transportation, Trade, Reduced Congestion and Security is an innovative initiative, according to Tiffany Melvin, NASCO.

"It's a means to develop a trade corridor management system that will be used for efficiency, security and to provide a means to reroute traffic along the corridor in the event of weather issues or natural disasters. We can focus on keeping the supply chain moving," said Melvin as she introduced the panel.

The U.S. Department of Transportation contracted with NASCO to conduct this three-phase pilot project labeled NAFTRACS. A team comprised of NASCO, Lockheed Martin, Cadre Technologies, SAVR Communications, Geo Decisions and Priority Logistics focuses on creating a partnership among businesses and local, state and federal governments.

John Mohler of Lockheed Martin said that rather than viewing border crossings, multiple highways and railways as providing impediments to trade, NAFTRACS looks at the common thread: the difficulty of data sharing. This common link will be used as an opportunity to get the supply chain and the economy moving.

“We want to do something that is actually tangible,” Melvin said. “It’s a three-country project focused on commercial value and security.”

Control, efficiency and security are important factors. “Every client has a different need in inventory control. We need to make sure that the public knows there is a system in place for each shipment,” said David Burdick, Priority Logistics.

Bobby Kaemmer, LogiView, Cadre Technologies, said that his company comes to the table with operational expertise as well as lessons learned from the technology aspect—control, efficiency and security are dominant factors. Kaemmer contends if the logistics provider is not in control, the shipment is not secure. Many opportunities are available to collect information whether that collection comes electronically or manually.

“At the end of the day, you have to count on the person inputting the information manually,” Kaemmer said.

What are the key capabilities of NAFTRACS?

- It can act independently. It can collect the information and send it back to each entity involved in the shipment, the owners, carriers and brokers.
- It can respond to continuous improvement in the movement and security of goods being shipped.
- It can collect the information, look for the triggers and put together a best practices model.
- The idea is entrepreneurial. It brings together

owners, carriers and brokers and gives states an opportunity to share ideas that have not been aggregated.

The NAFTRACS team went on to explain that NAFTRACS is a pilot project designed to:

- Demonstrate the benefits of enhanced information-sharing and exchange on security in the trade process, while facilitating the process of trade transactions and their transportation
- Demonstrate and evaluate true integration of tracking device technologies and how they perform with respect to security and facilitating cargo movement.

The project will test the validity of collecting data on the status of freight shipments throughout the corridor and determine its usefulness to commercial and governmental entities. Participants in the pilot project will include trucking companies, third-party logistics companies, brokers/freight forwarders, railroad operators, emergency responders and local, state and federal governments.

NAFTRACS will drive greater efficiencies in how the shipping and logistics industry moves freight through the corridor. And from a government perspective, NAFTRACS data will greatly help with public safety and homeland security initiatives and cargo tracking. In short, gathering this data will assist in tracking cargo, reducing congestion and supporting homeland security by building a common operational picture for all. The NASCO corridor will improve freight mobility, efficiency and security, while reducing congestion and cost of trade.

The NAFTRACS team says the bottom line is economic development.

Roundtable panelists

John Mohler, senior program manager, Transportation Security Solutions, Lockheed Martin, Chantilly, Va.

Lance Ludman, director for Government Affairs, Savi Networks, Alexandria, Va.

David Burdick, president, Priority Logistics, Kansas City, Mo.

Bobby Kaemmer, vice president, LogiView, Cadre Technologies, Lenexa, Kan.

Moderator: Tiffany Melvin, executive director, NASCO Inc., Dallas.

Conference results and challenges: A check list to follow before reconvening in 2008

- Have Canada, the United States and Mexico worked together to resolve the problem of congestion? What has been accomplished?
- Has the idea of unity meant implementing united endeavors to solve the transportation dilemma without giving up the values of any one country?
- Has each country embraced the corridor and addressed the issues of border crossings? How?
- How has Richards-Gebaur moved forward? What else can be learned from this primary case?
- Have universities in all three countries set goals and started actions to prepare the next generation of transportation specialists?
- Have the appropriate resources been invested to collectively move all three countries forward?

At the North America Works wrap-up session on Oct. 20, Tiffany Melvin, NASCO, said, "We've shown here that we can come together and we can talk about the issues. It's time to act. I think we're all ready for that. We will have to put aside local and individual agendas and focus on the overall good of North America."

Has a year impacted this difference? North America Works 2008 will tell the story.



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North America's SuperCorridor Coalition Inc. (NASCO)

Stephen Blank, co-chair, North American Transportation Research Council, North American Center for Transborder Studies, Arizona State University, Tempe, Ariz., U.S.A.

A special thank you

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Jo Anna "Jody" Edgerton

Director of the City of Kansas City, Mo., International Affairs and Trade Office, a division of the City Manager's Office

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