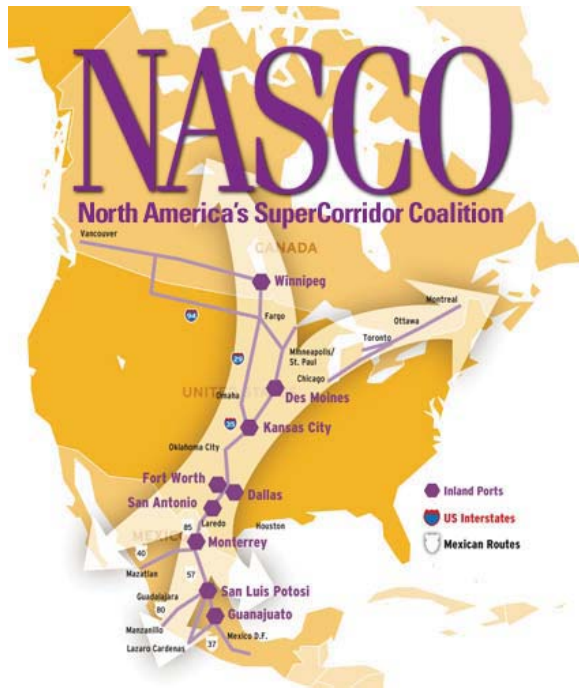




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## NASCO: North America's SuperCorridor Coalition



**The multimodal transportation network known as NASCO runs through the heart of trade in the United States, Canada, and Mexico. Find out what makes this corridor unique and why companies are banding together to support it.**

The NASCO corridor is a 2,500-mile-long multimodal transportation network linking Mexico, the United States, and Canada, connecting more than 71 million people, and supporting \$1 trillion in total business between the three countries.

Stretching from the deepwater ports of Mexico, to the border crossing of Laredo, Texas, through 11 states, and to Eastern and Western Canada through the Ambassador Bridge and Winnipeg, Manitoba,

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the NASCO trade corridor continues to expand trade opportunities beyond North American horizons.

To ensure the continued success and growth of the network, North America's SuperCorridor Coalition (NASCO) is creating a sustainable plan to fund further investments in transportation and distribution infrastructure and drive economic growth on the national, regional, and local levels.

The tri-national non-profit organization, which was founded in 1994, includes departments of transportation from various states and provincial authorities along the north-south trade corridor; business development groups; inland port developers; and other public and private sector entities related to transportation and trade.

Its collective goal is to maximize the efficient and secure movement of goods along existing highway and rail infrastructures, while outlining strategies for investment and improvement, addressing technological/security innovations and environmental initiatives, and interfacing with various government interests to ensure its constituents' voices are heard.

"NASCO's strength has been in unifying the public and private sector to take action on the many transportation and trade challenges facing the corridor -- principally, to focus on how to advance economic development and security through the U.S. heartland," says Tiffany Melvin, Executive Director of the trade partnership.

The changing context of world trade, and specifically the role North American companies play in managing the global supply chain, is similarly breathing new life into NASCO's 21st-century mission.

### **Coming Full Circle**

Even as many U.S. consignees and shippers continue to chase Asia-inbound volumes with a parochial approach -- a "U.S. West Coast, then all-water East Coast" myopia -- the idea of a direct, south-north/north-south route between Mexico's ports, the American heartland, and Canada's rapidly

developing hinterland is coming full circle and then some.

As U.S. companies increasingly rely on Asia to source raw materials and manufacture goods, West Coast ports are struggling to keep up with the volume of product and the growing demand of stateside consumers.

Currently, Los Angeles-Long Beach facilities handle roughly 40 percent of all cargo shipped into the United States and nearly 80 percent of all Asian-origin volume.

Further complicating this dilemma, increasing congestion in and around ports, a lack of available land to expand cargo warehousing and distribution facilities, aging infrastructure, and a dearth of available truck drivers and inland freight capacity are compelling U.S. consignees to consider alternative routings.

These swelling pain points position Mexican and Canadian ports on the Pacific Coast as enviable locations for transshipping North American-bound cargo, which only enhances the NASCO corridor's value proposition.

While stateside shippers and consignees are unlikely to entirely forego their bi-coastal focus -- given geographical constraints, the sheer volume of product moving from Asia into these ports, and the investments that have been made in these areas -- the utility of leveraging a multimodal transportation corridor to facilitate inland distribution is growing.

It's also forcing U.S. businesses to rethink their horizontal strategy and instead approach global trade initiatives from a new direction.

The transportation backbone of the NASCO corridor is Interstate 35, which stretches 1,568 miles from Laredo, Texas, through Oklahoma, Kansas, Missouri, and Iowa, to its terminus in Duluth, Minn.

Complementing this north-south artery are Interstate Highways 29 and 94, key east-west connectors to those highways, as well as railroads, airports, deepwater ports, and inland ports that feed and

accommodate cargo volumes into and out of the region.

The fast-growing presence of inland ports, in particular, is augmenting the way economic development agencies and private industry are growing and marketing intermodal capabilities along the NASCO corridor to incentivize manufacturers and retailers.

If that isn't enticement enough, current estimates predict the population along the southern portion of the NASCO region to mushroom 40 percent, from 16 million people in 2005 to 22.4 million people by 2030.

Cities such as Dallas and Kansas City, in particular, stand out because "as trade flows, real estate grows where people go," says Jon Cross, Director of Marketing for The Allen Group, a San Diego, Calif.-based real estate developer.

"From a real estate perspective, we're feeling that population growth," continues Cross. Expectedly, U.S. manufacturers and retailers are feeding that "feeling" and inland port facilities and transportation carriers are key linkages within that supply/demand continuum.

As an example, Kansas City has emerged as a leading intermodal hub for Asian-origin cargo moving through Mexico's ports of Manzanillo and Lazaro Cardenas. The city's access to key east-west and north-south rail connections makes it an ideal complement to the I-35 over-the-road corridor.

### **Inland Port Position**

NASCO's North American Inland Port Network (NAIPN) to date includes Alliance, Texas in Fort Worth; Dallas Logistics Hub; KC Logistics Hub; Port San Antonio; Des Moines, Iowa; Winnipeg, Manitoba; Puerto Interior Guanajuato; Bajio Central Mexico; Interpuerto Monterrey; Proyecto Distrito Multimodal Villa XXI; and Durango, Mexico.

NAIPN is a tri-national subcommittee of NASCO that has been tasked with developing an active inland port network along the NASCO corridor to

specifically alleviate congestion at maritime ports and U.S. borders.

The main guiding principle of the NAIPN is to develop logistics systems that enhance global security, but at the same time do not impede the cost-effective and efficient flow of goods. The NAIPN envisions an integrated, efficient and secure network of inland ports specializing in the transportation of containerized cargo in North America.

Railroads such as Kansas City Southern Railway (KCS) have been proactive at adapting their strategic development plans to match shifting global trade winds with the emergence of these inland ports.

The creation of a regional network of inland ports, gateway terminals, and intermodal facilities helps channel cargo and business into the NASCO corridor from both east and west, says David Eaton, Director of Corporate Affairs for Kansas City Southern de Mexico (KCSM).

"The reality of intermodal cargo is that it is high volume and low margin. So it is important to have big inland ports that can properly consolidate and transload cargo and manage the flow of trade to maximize economy and efficiency," he notes.

### **Intermodal Is Good For Business**

For NASCO trade, the development of inland ports is increasing throughput along the corridor, which is a major selling point for shippers. Savvy businesses are targeting areas with intermodal connectivity as places to locate distribution, warehousing, and manufacturing facilities.

"Large 'big box' retailers recognize the value and importance of locating DCs near intermodal ramps. It's no longer simply a matter of finding the lowest-cost lease option," says Cross.

Real estate development companies such as The Allen Group and Chicago, Ill.-headquartered CenterPoint Properties in the United States and Intramerica in Mexico, are keen observers of where the market is shifting as well as the types of properties that are ideal for intermodal expansion.

Cross, in particular, values the "real" inland port scenario -- 1,000-plus acres, intermodal, rail, and highway access, a foreign trade zone, and a strong labor pool.

"We want to offer 'big box' users total cost savings by providing land sites or building space next to these intermodal facilities -- places where they can save millions of dollars in drayage costs. This reduces supply chain costs compared to other site locations farther away from intermodal connections," observes Cross.

Matthew Tramel, Manager, Corporate Affairs and Marketing for CenterPoint Properties, echoes this sentiment, while further acknowledging the potential value these intermodal locations can offer in luring manufacturing operations to the NASCO region.

"While manufacturing in the heartland has slowed somewhat, it is still a significant driver of the North American economy.

Particularly in central locations with a strong labor pool and quick access to rail and road transportation, manufacturing should be well positioned for growth," he says.

Accordingly, both companies have been working with the railroads on projects along the NASCO corridor.

In 2006, The Allen Group partnered with BNSF Railway to develop the KC Logistics Park in Gardner, Kansas, 25 miles southwest of Kansas City. The new inland port has 1,000 acres of land for an intermodal terminal and seven million square feet of distribution and warehouse facilities.

This past summer CenterPoint Properties collaborated with KCS to develop a 1,300-acre intermodal logistics park in south Kansas City, Mo. The CenterPoint-KCS Intermodal Center will feature a 370-acre intermodal facility operated by KCS and an 830-acre industrial park developed by CenterPoint Properties -- with the potential for 3.5 million square feet of warehouse and distribution facilities.

Elsewhere along the NASCO corridor, The Allen Group has also broken ground on The Dallas Logistics hub -- the largest new logistics park in North America, with 6,000 acres master-planned for 60 million square feet of distribution, manufacturing, office and retail developments.

Its location in the middle of the NASCO corridor and at a critical pivot point near the U.S./Mexico crossing only raises its potential value to cross-border shippers.

Moving forward, the evolution of the intermodal facility will be "a linchpin to the success of NASCO, as a critical rail-to-truck transfer point for both imports and exports, to and from the heart of North America," offers Tramel.

#### **North of The Border**

While much attention has been duly paid to transportation and logistics activities south of the border, given the influx of Asian-origin container volume, Canada too has been progressively growing its presence along the NASCO corridor. Nowhere has this been more apparent than in the Province of Manitoba.

Long a transportation crossroads within Canada, serving as a pipeline between strong agricultural centers in the Western Plains and growing consumer areas in Ontario and Quebec, Manitoba has been polishing its reputation for more than a decade.

More recently its capabilities and trade potential have begun reflecting out beyond the continent -- and North American trade partners like what they see.

As in the United States and Mexico, NASCO has provided the organization and incentive to bring myriad public and private sector interests together within Canada.

Darryl Gershman, Vice President/Owner of G2 Logistics, a Winnipeg-based 3PL with a pedigree in the trucking industry, is beginning to see strong government support for a unified transportation strategy.

"I have never seen as much momentum on all different levels of government and the private sector as I have seen with NASCO," he says.

"We need the government to push for and support trade, create incentives, then inspire private sector investment. NASCO supports what NAFTA is supposed to be -- free and secure trade between Mexico, the United States, and Canada," he observes.

Ron Lemieux, Minister of Transportation and Infrastructure for the Province of Manitoba, shares a similar perspective from the public sector side.

"With NASCO, we believe we are stronger together than apart. When you consider that many members are direct competitors, that means something. We are a diverse group and we have our own agendas.

"But I like to think we're not in competition with each other -- instead we are competing against Europe and Asia. NASCO has enabled us to pull it all together and focus on how we can collectively make North America stronger."

To point, in 1995 Manitoba's economic development interests, Winnipeg city officials, and Canada's private sector began rethinking the province's role in north-south trade and how they could become more engaged and competitive in these types of activities, notes Greg Dandewich, Director of Economic Development, Destination Winnipeg.

"In Winnipeg, especially, we wanted to regionally develop the right type of partnerships to push our economy forward."

Winnipeg's historical underpinning as a transportation and distribution hub for Western Canada's agricultural industries provided a clear pathway for future economic development activities.

"The challenge for us has been to figure out how to leverage this existing infrastructure and experience to fit into the new role of global supply chain management," Dandewich says.

On the transportation end, Winnipeg remains a primary facilitator of trade, serving as a pivotal trucking and rail conduit within Canada, as well as linking Manitoba with the United States.

The city is directly connected to northern Minnesota through the cross-border port of Emerson via Highway 75 -- which is also near where Canadian National, Canadian Pacific, and Burlington Northern and Santa Fe's networks converge.

While the flow of commerce within Canada has invariably coursed from its West Coast ports eastward, businesses are beginning to look north toward the Port of Churchill and south to the United States and Mexico to grow trade activity.

"There has been much communication and collaboration between the province and officials in the United States -- for example, Kansas City and San Antonio. We have been engaged in discussion about the importance of inland ports, their ability to alleviate traffic and expedite flow into and out of the United States and Canada, and how we can share best practices in Manitoba," says Lemieux.

This ongoing dialog has been key to bringing different levels of government and private sector interests together to engage each other with a common goal.

"A few years ago, corridors, gateways, and borders were not prevalent in government lexicon. Now, each level of government understands its role in the bigger picture. Manitoba, Winnipeg, and Canada recognize that as a nation we need to develop trade capabilities to meet global supply chain requirements," adds Dandewich.

### **Building A Bridge to the World**

Winnipeg and Manitoba have been equally aggressive in mining new opportunities beyond what already exists to market and sell the region as a logistics and distribution nexus for global trade.

Within this paradigm, the Port of Churchill plays an important and growing role in opening up the Northwest Passage to more shipping activity.

"The NASCO trade corridor can potentially have a tremendous impact on the port's operation. There are more than 40 million consumers within easy reach of the corridor and it is a natural trade route between Murmansk, Russia and North America," says Michael Ogborn, managing director of OmniTRAX, a privately held operator and manager of regional railroads operating between the Port of Churchill and Winnipeg.

The transportation company has been working with the Province of Manitoba to market the port to increase volume, diversify commodities, and attract import traffic.

Those efforts have thus far resulted in the first domestic shipment of wheat from the port to Halifax; the first inbound shipment of nitrogen fertilizer from Russia; and a record level of Canadian Wheat Board tonnage for export.

In addition, Ogborn and other officials have traveled extensively overseas to educate shippers and consignees about the port and its benefits.

Elsewhere within Winnipeg and Canada, government-led initiatives such as the Manitoba International Gateway Strategy and Asia Pacific Gateway and Corridor Initiative are helping shippers, consignees, and transportation businesses identify new ways to handle the growing volume of containers coming into the West Coast through Canada.

This entails figuring out how to better streamline the inland redistribution of containers from Vancouver; or perhaps rerouting movements through smaller ports such as Prince Rupert.



The Canadian railroads will be a critical link in this initiative, offers Dandewich, and given the fact that Winnipeg is the convergence point for Canadian Pacific and Canadian National, that positions both Manitoba and Winnipeg as major pieces in this emerging supply chain puzzle.

For Lemieux, the implications and incentives are clear: "We have always used transportation infrastructure as a trade enabler within Canada," he says. "Now we are further developing Manitoba into a safe, secure, and efficient place for global trade."

#### **The NASCO Value-add**

NASCO is also expanding its value proposition by taking an innovative approach to security, environmental, and risk assessment initiatives -- areas where government and the private sector are looking for leadership.

The trade partnership's North American Facilitation of Transportation, Trade, Reduced Congestion, and Security system -- or NAFTRACS -- is a project to develop and deploy cargo tracking and management technologies across the heartland. NASCO has teamed with several IT developers including Lockheed Martin Corp., Cadre Technologies, and Savi Networks to spearhead the effort.

"The program combines RFID reader/scanners with software and information networks that will allow shippers and authorities to track the flow of containerized cargo along the NASCO corridor," says Melvin.

The pilot phase will begin in 10 high-traffic

locations and includes the development of an integrated system that will link local city, county, state, regional, and national trade corridor management systems for improved freight management coordination, safety, and security.

Given U.S. industry and government's slow progression toward piloting and implementing RFID, and the lack of standards that exist for executing and integrating such technology for mainstream use, NASCO's ambition to eventually create its own corridor tracking system is both unique and visionary.

"NAFTRACS is defining the use of technology for secure cargo movement and is creating a standard for U.S. trade," says Lemieux. "This approach provides smaller players in particular with the leverage and incentive to invest in RFID technology -- in this way NASCO is becoming a technology change agent as well."

In addition to driving visibility across the entire supply chain and creating a more secure network, NAFTRACS' customer businesses will be capable of identifying and eliminating waste and creating more efficient routing options that reduce fuel usage -- which dovetails with ongoing initiatives to green the supply chain.

To this end, NASCO and its member organizations have been actively engaged with the Environmental Protection Agency's Blue Skyways Collaborative, a public/private effort to encourage voluntary air emissions reduction in North America's heartland.

Through its myriad constituents, NASCO is stewarding trade partners to plan and implement projects that use innovations in diesel engines, alternative fuels, and renewable energy technologies while outlining other areas for improvement.

Aside from technology innovation, NASCO's members are also helping steer businesses toward best practices in evaluating risk assessment, which can often be a daunting task when engaging in cross-border trade.

Aside from the sheer volume of cargo moving within the corridor and the necessary shipment manifests and customs documentation required, NASCO shippers also have to bear in mind how different insurance coverages integrate across the three countries.

### **Hurdling Insurance Obstacles**

"Historically, each country has its own group of long-term insurance providers, which is fine if business begins and ends in that country," says Steve McElhiney, President of EWI Risk Services, a Dallas, Texas-based risk solutions provider.

"However, when you start transiting borders, insurance coverages tend to be different -- and this can present an obstacle."

By enabling businesses to set up their own captive insurance companies, where they essentially fund the policy and insure themselves, EWI provides a standard through which businesses can assess and evaluate risk liability across all borders.

What NASCO does for regional and national trade growth only scratches the surface of its real value. Smaller economic development agencies and communities are reveling in the trickle-down stimulus of increasing trade in their local economies; and their voice lends credence to the power and promise of the NASCO partnership.

"Communities and companies greatly benefit by having a group such as NASCO focused on the multi-state corridor for improvements and development. Such coordination is key to improving the situation and heading off problems down the road," says Scott Connell, Vice President of Economic Development for the Waco Chamber of Commerce.

The Greater Waco Chamber is currently working with industry alliances to provide forums for businesses and support agencies to discuss issues related to local growth, business attraction, infrastructure, workforce, and public policy.

Terry Bailey, Director of Business Development for the Council Bluffs, Iowa, Chamber of Commerce

believes NASCO's grassroots approach to building trade partnerships is trickling up through the hierarchy of government and private sector interests.

With a population of 60,000, Council Bluffs has always fallen in the shadow of its cross-river neighbor, Omaha, Neb. But five years ago the local business community, and city and county officials came together to address ways they could work more collaboratively to market the area and attract business.

Two years ago Iowa similarly circled its business development and marketing gurus and began organizing a regional approach to selling the state. Now 15 regional groups come together and share best practices and information.

"In the past 18 months, I have never seen so much activity," says Bailey. "Companies come to us looking for office space, as well as technology firms, back-office support, and some manufacturing."

These initiatives on the local and regional levels are filtering up to the national and global scene thanks in large part to NASCO's presence. The capacity and facility with which it has integrated all levels of government and private sector interests has been a key to its success.

"The internal culture of NASCO supports an attitude of respect for the care and nurture of valuable, unique, and innovative ideas. These bubble up easier in the NASCO environment, as opposed to public bureaucracies or tough private sector environments where such ideas can get short shrift," says Melvin.

NASCO's ideology is also one of inclusion, encouraging trade partnerships across the continent to interact with each other.

"Our vision is corridor-based, yes, but not corridor-defined. NASCO hopes to serve as a model for all other corridors. Goods will come from every direction and move all across North America, which makes it important to work with others outside the NASCO corridor," adds Melvin.

### **Mexico Recognizes NASCO**

Not surprisingly, NASCO's mission is crossing borders and reaching big government in a profound way. The Mexican government has recognized NASCO and its Mexico Committee -- a group of public and private sector interests in Mexico dedicated to growing the country's transportation capabilities -- as an integral part of developing a national multimodal strategy.

Recently the government received the Mexico Committee as a full member on its advisory board for studying the country's multimodal strategy -- a report that will identify key corridors within Mexico for investment.

NASCO is also in the process of outlining a memorandum of understanding with the Mexico House Transportation Committee to develop guidelines and legislation for growing its multimodal corridors.

The Canadian government has been equally receptive. In October, Canada's New Government and the Province of Manitoba proposed a strategic infrastructure project under the Asia-Pacific Gateway and Corridor Initiative to invest up to \$21 million for the construction of an interchange of the TransCanada and Yellowhead highways and of a road/rail grade separation at the Canadian National main line.

"We believe NASCO will continue to play a great role in helping the local, state/provincial, national governments and private sectors develop a strategy for future investments," says Melvin.

"NASCO will continue to serve as a transnational alliance with committed members working together to encourage, accept, nurture, and test new ideas and to fill and cover the many gaps that exist between public efforts and the missions and highly specialized needs of the private sector."