



SHIPPING CENTRAL

words CHRIS GUTIERREZ



1.1 Chris Gutierrez is president of KC SmartPort.

How does 45,000 jobs and more than \$6 billion into our local economy sound? That represents the current contribution of our regional logistics industry—not too bad, but it could be more.

Kansas City is uniquely poised to take even greater advantage of our position in the global supply chain. Manufacturing jobs are increasingly being outsourced to less expensive labor markets. That leaves distribution and warehousing as a significant economic opportunity for the U.S.

Just last year, Pacific Sunwear, Musician's Friend, Lowe's, American Eagle Outfitters and Case New Holland announced new or expanded logistics facilities in our market, bringing a combined 2.5 million square feet of new distribution capacity to the area. That's equivalent to the amount of retail space at the Mall of America.

Kansas City employs more people in distribution and warehousing than the national average. Currently, 4.6 percent of the workforce is employed in distribution and warehouse jobs compared to 3.2 percent nationally. Every year more than 150 million tons of freight passes through Kansas City. In fact, more freight moves through Kansas City than any other city in the country. However, the current leaders in distribution and warehousing facilities are Memphis, Chicago and Dallas.

Kansas City SmartPort's mission is to shift that leadership to our region. Our goal, in partnership with the Kansas City Area Development Council and others, is to make sure that more of the 150 million tons of freight moving through Kansas City each year stops here, thereby adding to Kansas City's economy.

Kansas City's greatest opportunity in this industry is to create "added value" for the computer and motorcycle parts and food and retail goods that pass through our city every day. This means getting more of the trucks and trains to stop in Kansas City, unload their freight, transport it to distribution centers and move it in smaller loads by truck to destinations across the country.

The second way to add value is to encourage more manufacturing operations to grow and move to the region. As the potential for the distribution and warehousing industry grows, Kansas City becomes more attractive to manufacture and assemble goods because of our existing low-operating costs.

This activity has the potential to create thousands of jobs and millions of dollars of added economic value to our region. We are seeing examples of this taking hold already.

Currently, Kansas City has an axis of opportunity with the development of three intermodal facilities from Burlington Northern Santa Fe (BNSF), Kansas City Southern (KCS) and Kansas City International Airport (MCI). Each of these facilities aids Kansas City in its endeavor to gain an advantage in the distribution center market.

BNSF committed to a remarkable \$200 million intermodal facility in Gardner, Kansas. In addition, BNSF and the Allen Group will develop 1,000-plus acres for logistics operations. The development will have the capacity to build up to 12 million square feet of new distribution and

warehousing space and create upwards of 13,000 new jobs.

This year, KCS and its development partner CenterPoint Properties began preliminary development of the International Freight Gateway. Formerly the Richards-Gebaur Air Force Base, this intermodal logistics center will allow freight to unload from the train and be placed on trucks for distribution. The development could result in 6-7 million square feet of distribution and warehouse space and will add more than 4,000 jobs to the Kansas City economy.

MCI continues to show significant leadership in the development and marketing of its 640-acre property. Currently, MCI transports more air cargo than other surrounding airports including Kansas, Iowa, Nebraska and Oklahoma.

To expand this advantage, MCI and its development partner CB Richard Ellis plans to build a 300,000-square-foot speculative distribution center. This development highlights MCI's position of being one of a few airports that can accommodate industrial development on a large scale.

Now, local developers are talking about large-scale spec buildings, another first for the Kansas City market. These new spec buildings will offer prospective companies the option to start operating their distribution centers with minimal preparation time.

So we have certainly set the stage for more distribution and warehousing investment, but how



1.2 Rail and truck companies are taking advantage of Kansas City's central location for shipping. And more companies are building distribution centers because of the metro's logistics infrastructure.



2.1 Kansas City is the second largest rail center in the nation. Each day more than 300 trains pass through the city. But because of its size, KC doesn't have the rail congestion of other cities.

do we get more companies to move here? What does Kansas City offer them that they can't find in other major manufacturing and distribution markets?

I'm going to go against convention and tell you first what we don't have.

We don't have the congestion that exists in major port cities like L.A./Long Beach or distribution powerhouses like Chicago. KC is one of only five U.S. cities where three, soon to be four, interstates meet (I-29, I-70, I-35 and soon I-49). This advantage, combined with the most freeway miles per capita, allows traffic to move quickly and efficiently.

Freeway congestion isn't the only thing Kansas City doesn't need to worry about. As the second largest rail center in the U.S., Kansas City doesn't find railroad congestion a problem. Every day more than 300 trains pass through Kansas City. This provides a quicker transportation for cargo.

We don't have ties that bind to either coast. As the center of the U.S., Kansas City recognizes the importance of its location. Since the North American Free Trade Agreement inception, international cargo traffic from areas such as Asia has steadily grown.

Kansas City is now starting to use its central location and its ability to handle international freight as a selling point to logistic companies. With the 10,000 acres, Kansas City has the largest Free Trade Zone (FTZ) in the U.S. With the increase of international cargo, Kansas City is utilizing the FTZ space to process more than \$9 billion in imports from companies that want avoid the congestion of the West Coast.

Kansas City's central location cuts down on the time it takes a product to reach either coast. More and more companies are beginning to see the time saved by utilizing Kansas City combined with their coastal ports.

We don't have critical building capacity issues that are causing delays and unpredictability in the supply chain. Distribution centers need space to build and operate, Kansas City provides prospective companies with the space necessary to grow a stronger business with larger, more operable distribution centers.

With large expansion projects such as MCI, BNSF and IFG, it is apparent space is not an issue. A company looks at a site to fit its specific needs and wants. They ask for an area that will benefit its transportation time and its bottom line. Kansas City offers a company the best site to fit its specific needs.

We don't have a workforce shortage that plagues many cities in the U.S. and abroad. As the workforce ages and diminishes across the U.S., major companies are beginning to seek out areas to expand their distribution hubs. They want areas that will provide them with an abundance of skilled workers. Kansas City offers companies trained and skilled workers.

We don't have a high cost of operation. In Kansas City a company has the benefits of low congestion, low transit time, superior workforce and an abundance of building space at a lower cost than other cities.

Kansas City doesn't face the hurdles that many other cities face on a day-to-day basis. What we offer companies in ways of traffic flow, transportation choices, building sites, workforce and low cost is attracting more companies. When a company wants to relocate or expand its distribution center, Kansas City appears more frequently on its lists of possible site locations.

The greatest chance for economic growth in the distribution and warehousing market is the rise of distribution centers, specifically intermodal facilities. A distribution center is a necessary component in the logistic supply chain to have a significant economic impact on a community. Kansas City has the train, truck and airplane traffic in place, now it needs the distribution centers to allow the cargo to move from air and rail to road.

Kansas City is at a point to take the lead in distribution. Over the next few years 45,000 jobs and \$6 billion contributed into our economy by the logistics industry will only increase. □