

LAZARO CARDENAS – KANSAS CITY TRANSPORTATION CORRIDOR

TWO WORLDS. ONE ROUTE.



SMARTPORT
AMERICA'S INLAND PORT SOLUTION

ASIAN - NORTH AMERICAN TRADE:

FASTER.

SAFER.

SMARTER.



The **Lazo Cardenas-Kansas City Corridor** refers to a trade route linking Kansas City to key Asia-Pacific markets at the port of Lazaro Cardenas in the State of Michoacan, Mexico. Thanks to an innovative series of international agreements, infrastructure improvements and new technologies, ***THIS CORRIDOR IS OPEN FOR BUSINESS.***

DECADE OF NEW DEVELOPMENTS

In the past decade, a number of new developments have contributed to making the Lazaro Cardenas-Kansas City Corridor a reality. Most notably, the Mexican government has taken aggressive steps toward privatizing its infrastructure and promoting business-friendly partnerships to enhance international trade.



In 1995, the decision was made to decentralize and partially privatize the nation's seaport operations, creating the possibility for 100-percent foreign investment in terminal ownership and up

to 49-percent foreign investment in each port's Administración Portuaria Integral (API or Integrated Port Authority).

This new ruling has attracted billions of dollars in new infrastructure investment, including development at Lazaro Cardenas, in Michoacan, where Hong Kong-based Hutchison Port Holdings, Ltd., the world's largest developer and operator of deepwater ports, is in the midst of a US\$300 million program that will expand the existing terminal to include a 1,481-meter (4,887-foot) berth, and a channel 18 meters (59 feet) deep capable of accommodating four ultra large container vessels (ULCVs) simultaneously.

Plans also call for the expansion of the current 15-hectare (37.5 acre) shipyard to 102 hectares (255 acres) with a static capacity of more than 70,000 TEUs (twenty-foot equivalent units) and dynamic capacity of more than 2 million TEUs, and employing upwards of 2,900 workers.

Maersk Sealand, CP Ships and APL already have regularly scheduled service into Lazaro Cardenas. Earlier this year, the State of Michoacan donated a 180-acre tract of land located adjacent to the Port of Lazaro Cardenas for the purpose of developing an industrial park to ensure future development at the port.

In 1997, the government-owned Ferrocarriles Nacionales de Mexico (FNM) privatized the first of its regional railroads, the Northeast Railway, and Kansas City Southern teamed with Transportación Maritima Mexicana (TMM) to create Transportación Ferroviaria Mexicana (TFM).

In 2005, Kansas City Southern acquired 100% of Transportación Ferroviaria Mexicana (TFM), which is now called **Kansas City Southern de México, S.A. de C.V. (KCSM)**. This rail line created the way for a ships-to-rail transportation system connecting the North American interior to the Pacific Rim, establishing an alternative trade route for shippers seeking to avoid the West Coast bottleneck.

In 2002, Mexico hosted the APEC Summit and subsequently launched a new program, the Trans-Pacific Multimodal Security System (TPMSS). This program has created greater transportation infrastructure capacity, more cooperative customs processes and greater security along the entire supply chain, thus facilitating greater economic growth along what has become the Lazaro Cardenas-Kansas City Corridor.



GROWTH AND SECURITY

The threat of future terror attacks, natural disasters or labor strife spotlights the need for redundancies in the Asia-North American trade system to ensure alternate routes for cargo traffic in the event of unforeseen emergencies.

The Lazaro Cardenas-Kansas City corridor will offer much-needed capacity to meet forecasted growth and enhance the overall security of international trade in the years to come.

THE KC CONNECTION

Until recently, moving containers through Mexico wasn't a competitive option for shippers, as Mexican customs charged a "through bond" of up to \$100,000 per-container for shipments passing through Mexican territory. The law passed in 2004 allows rail carriers to move as many containers as they like for a single \$55,000 bond. These savings could make shipping containers through Lazaro Cardenas up to 15 percent less expensive than through Long Beach or Los Angeles.

Kansas City offers the opportunity for sealed containers to travel to Mexican port cities such as Lazaro Cardenas with virtually no border delays. It will streamline shipments from Asia and cut the time and labor costs associated with shipping through the congested ports on the West Coast.

Kansas City Southern de México, S.A. de C.V. (KCSM), enabling KCSM, The Kansas City Southern Railway Company and The Texas Mexican Railway Company to operate under common leadership, creating a seamless transportation system spanning the heart of North America.

The line from Lazaro Cardenas to Kansas City is 2,251 miles. The entire network with both systems put together is approximately 6,000 miles connecting the Midwestern United States, central Mexico and Mexico's Pacific seaports.

The union of the three railroads will spur even greater investment in cross-border transportation infrastructure, implementation of advanced cargo tracing and tracking systems, and improved security.

PROSPERITY ALL ALONG THE WAY

The rail corridor also connects the major industrial centers of San Luis Potosi and Monterrey to the rest of the world.

San Luis Potosi is located in the geographical center of Mexico and is equidistant from Lazaro Cardenas and the Gulf of Mexico port of Veracruz, making it a strategic rail center for cargo traveling east-to-west or west-to-east. Monterrey, a city of 4.5 million people, is the industrial capital of Mexico, operational home to KCSM and serves as a main distribution hub for manufactured goods throughout Mexico.



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