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# Labor trend may shore up intermodal sites

Kansas City Business Journal - by [Rob Roberts](#) Staff Writer

The success of the **CenterPoint-KCS Intermodal Center** in south Kansas City might not have much to do with the price of tea in China. Labor costs are another matter.

Mark Long, a senior vice president of **Zimmer Real Estate Services LC**, said that rising Chinese labor costs are among the drivers behind “near-shoring,” an emerging trend that involves moving manufacturing and sourcing operations closer to end-users.

For companies serving U.S. markets, that may mean locating operations in Mexico versus offshoring them to China, said Long, a broker for the 970 acres of industrial space in the CenterPoint-KCS Intermodal Center. More Mexican factories mean more freight on **Kansas City Southern Railway’s** lines between the Port of Lazaro Cardenas in Mexico and Kansas City, Long said. And that should translate into new distribution centers at the local intermodal center, where Kansas City Southern already is transferring containers from rail to trucks and vice versa.

**CenterPoint Properties** of Chicago, the developer of the industrial park portion of the new intermodal center, has placed a huge bet on the project, based partly on the promise of near-shoring. CenterPoint spent \$30 million to install infrastructure in the park, which is pad-ready for 4.5 million to 5 million square feet of buildings.

That ready-to-roll status comes in stark contrast to that of the proposed Logistics Park Kansas City in Gardner, where **BNSF Railway** recently postponed the start of construction on its intermodal hub. But the recession and the lower fuel prices it has spawned have put a temporary damper on deal flow fueled by near-shoring.

“One of the main factors that created the initial buzz about near-shoring was high transit costs, and fuel prices were a big part of that,” said Pat Ottensmeyer, executive vice president of sales and marketing for Kansas City Southern Railway. “So near-shoring has certainly lost some momentum.”

But if \$4-a-gallon gasoline returns, it and Chinese labor costs, which have increased about 20 percent annually for the past five years, will give Mexican near-shoring a strong one-two punch, he said.

Mexico, where labor costs have been growing about 5 percent annually, also provides companies with a lot more speed to U.S. markets than do slow boats from China. Chris Gutierrez, president of KC SmartPort, said that supports another cost-saving trend: just-in-time manufacturing.

“It all comes back to labor costs, transportation costs and speed to market,” said Gutierrez, who recently gave a presentation on near-shoring — aka “reverse globalization” — to the **Greater Kansas City Chamber of Commerce’s World Trade Center**.

Ottensmeyer said the auto industry is the first significant player in Mexican near-shoring, with several automakers and parts manufacturers now shipping into the United States from Mexican industrial hubs. **General Motors** recently opened a plant in San Luis Potosi for the assembly of its Chevrolet Aveo and Pontiac G-3. First Automobile Works (FAW) will open Mexico’s first Chinese auto plant next year, a \$150 million factory in Morelia.

Other industries are expected to follow suit, thanks to the millions of dollars worth of improvements Kansas City Southern is making to its rail lines in Mexico and Texas. They include a new stretch of track between the Texas cities of Victoria and Rosenberg, which is just southwest of Houston. At Rosenberg, Kansas City Southern also is working on a new intermodal facility similar to the one in south Kansas City.

Ottensmeyer said such improvements will make it easier for Mexican businesses to ship into the United States by cost-saving rail. Currently, about 6 million truckloads of freight cross the Mexico-U.S. border at Laredo each year.

Diverting some of that freight to Kansas City Southern lines will help fuel distribution center development at the CenterPoint-KCS Intermodal Center. Long said he expects lots of manufacturing plants to be built there, too.

But that’s another story: no-shoring.

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