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NASCO Bulletin  
Monitoring Major Transportation Developments in North America

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Tuesday, June 26, 2007

NASCO staff monitors major developments affecting the future of the freight transportation system in North America, highlighting their significance to the NASCO SuperCorridor and NASCO Coalition members, partners and supporters.

Below, KCS de México is appropriately featured by leading investment newspaper IBD for its bold, far-sighted efforts to provide solutions and new alternatives to intermodal freight transportation challenges facing its customers across North America. Thanks

go to NASCO Treasurer Dale Vander Schaaf for alerting us to this and other valuable news articles.

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IBD News Features KCS de México and Port of Lázaro Cárdenas Opportunity

INVESTOR'S BUSINESS DAILY newspaper

Monday, June 25, 2007

Kansas City Southern Realizing Old Dream Founder wanted to build a U.S.-Mexico rail link; NAFTA made it feasible

BY AMY REEVES

Last month, investment house Bear Stearns hosted a group of clients in the Port of Lázaro Cárdenas on Mexico's Pacific coast. While the trip may well have involved sunbathing and margaritas, that wasn't its main point.

The group went to get a firsthand look at a new port development whose sole railroad connection belongs to Kansas City Southern. The project will expand the terminal's containerized cargo processing capacity from 125,000 containers a year to 1.2 million.

"It has been said that there are two port attributes that can't be (artificially) coached -- water depth and available land," KCS spokesman Bill Galligan wrote in an e-mail to IBD. "Lázaro has an abundance of both."

The Lázaro project fulfills the century-old dream of KCS founder and President Arthur Stilwell.

At a time when other railroads focused on connecting the country's east and west coasts, Stilwell wanted to build tracks from his home base of Kansas City, Mo., southward to the Gulf Coast and as far down as to Mexico. In his lifetime, Stilwell got as far as the town of Aurora on Sabine Lake next to Louisiana, later renamed in his honor as Port Arthur, Texas.

It wasn't until the mid-1990s, after the passage of the North American Free Trade Agreement, that KCS partnered with two Mexican companies to expand its network as far south as Veracruz.

In 2005, after a series of deals, KCS became the sole owner of what was renamed Kansas City Southern de México.

KCS has access to three ports on the Gulf of Mexico, but Lázaro is its only Pacific endpoint. This is important, Galligan says, because consultants are expecting a Pacific port capacity crisis by 2010. The furious trade between North America and East Asia threatens to overload traditional ports such as San Francisco, Seattle and Los Angeles/Long Beach, Calif.

Bear Stearns analyst Scott Group wrote in a note that he was "pleasantly surprised" by the level of traffic already at the port. Because of the limited local infrastructure, KCS handles about 70% of freight going through there.

If all goes according to plan, Group expects the Lázaro project to boost KCS' annual sales 25%. Group says the completion of the project's first phase this September will come about 10 months before the U.S. longshoremen's union contract expires. Many shippers plan to use non-American ports in that period in the hope of avoiding strikes. Still, the port will have some competition, says A.G. Edwards analyst Donald Broughton.

"Prince Rupert in Canada has potential as an alternative port because it's a full day and a half shorter sail from Asia than to Long Beach," he said. "To sail to Lázaro takes over a day longer than Long Beach."

Galligan points out that the train journey  
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