

'We want to be Dallas' Pacific port' Mexico could be key link in getting Asian goods to Texas

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By BRENDAN M. CASE / The Dallas Morning News



MEXICO CITY – As U.S.-Asia trade soars, Mexico is building a land bridge between the Pacific Ocean and American shoppers.

Mexico's customs service recently slashed the cost of landing Asian cargo and forwarding it to the United States, opening a new route for imports that typically arrive in California and ride the rails to the rest of the country.

The chief of Mexico's Manzanillo port wants to link the Eastern U.S. and Asia through Dallas.

As a result, containers of Asian-made toys, textiles and electronics could soon be speeding from ports such as Manzanillo and Lázaro Cárdenas to U.S. cities. Proponents say the new route will cut transportation costs and wait times for U.S. customers.

"We want to be Dallas' Pacific port," said Héctor Mora, the head of the Port of Manzanillo. "What I'm seeking is for Manzanillo to be not just the Pacific gateway for Mexico, but also for the eastern part of the United States."

The opportunity for the Mexican ports comes as U.S. consumers continue to buy more Asian goods, straining U.S. ports and railroads and slowing the flow of merchandise to retailers, importers say.

The sprawling Ports of Los Angeles and Long Beach, in particular, are already handling record levels of traffic, and they have only limited room to expand.

That's led smaller ports along North America's Pacific shore to compete for overflow traffic. Anchorage, Alaska; Seattle-Tacoma, Wash.; Oakland, Calif.; and Vancouver, B.C., are all vying for a bigger piece of the multibillion-dollar business.

Los Angeles and Long Beach handle more goods than all other U.S. West Coast ports combined. They also compete with the Panama Canal to handle cargo bound for the eastern United States.

Mexico aims to develop a southern route.

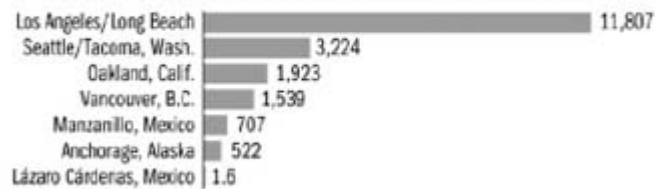
Distance to Dallas

As the crow flies, Manzanillo is as close to Dallas as Los Angeles is, but relatively small Mexican ports can't do much more than nip at the heels of the giant facilities in Southern California.

WEST COAST PORTS

Even some of Mexico's largest ports handle just a fraction of the cargo that Los Angeles and Long Beach move.

Pacific Coast ports and their container traffic (thousands of TEUs)*:



* Measured in TEUs, or twenty-foot equivalent units, a standard industry gauge. Data is for 2003, the latest year for which comprehensive figures are available.

SOURCE: American Association of Port Authorities, Dallas Morning News research

LAURIE JOSEPH/Staff Artist

In the 1990s, Mexico sold its ports and railroads to private owners, who boosted investment and quality. But despite recent improvements, Mexico's rail network has historically been subpar. It's unclear whether shippers would want to rely on Mexico, given its myriad security problems.

"Mexico would have to make major investments over many years to build enough capacity to make much of a dent," said Art Wong, a spokesman for the Port of Long Beach. "Long term, it makes sense for the other West Coast ports to expand. But it will take many years for them to take much cargo from us."

Taking notice

Still, with China becoming the world's factory, Mexico's plans have the attention of U.S. importers.

David Walker, the executive vice president of logistics and allocations at Fort Worth-based Pier 1 Imports Inc., routes some Asian imports through Southern California.

Mr. Walker said he would consider landing goods south of the border, then moving them by rail to the company's six regional distribution centers, including one in Mansfield.

"The concept is interesting to me," he said. "The whole world is sourcing in China, whether you're buying rattan and wicker, as our company is, or parts for automobiles.

"The volumes are going to continue going up and up."

The need for alternatives became obvious in 2002, when a labor dispute crippled West Coast ports and left scores of ships idling in the Pacific.

Since then, U.S.-Asia trade has swelled. Although ships can often dock quickly at Los Angeles and Long Beach, heavy traffic last fall was blamed for causing delivery delays.

New rules

Until recently, Mexico wasn't a viable alternative.

To move goods from Mexican ports to the U.S. border, shippers had to deposit a bond of tens of thousands of dollars per container until the merchandise left the country.

Now, due to a recent change in customs regulations, shippers can move as many containers as they want for a single bond of about \$55,000. The new rules apply only to certain routes, including from Manzanillo to Ciudad Juárez and from Lázaro Cárdenas to Nuevo Laredo.

The rules also only apply to freight moving by rail, although they could eventually be extended to truck traffic.

Depending on future cost and performance, Mexican Customs official Enrique González reckons, the new routes could generate a 15 percent cost savings for shippers, compared with Southern California, and draw a volume of 1 million containers.

Other plans to move Asian goods from Mexico to the United States are also afoot, from a possible port at Punta Colonet, Baja California, to a project to build modern rail links across the Isthmus of Tehuantepec.

Routes alliance

Leading the charge to develop the Manzanillo and Lázaro Cárdenas trade routes are Hong Kong-based Hutchison Port Holdings, a subsidiary of Hutchison Whampoa Ltd. that operates both Mexican ports; U.S. and Mexican railroads; and business and civic leaders in Kansas City, Mo.

Manzanillo port officials have signed cooperation deals with the Ports of Houston and Shanghai. They're also working with railroad company Ferrocarril Mexicano SA, which has tracks from Manzanillo to Ciudad Juárez.

Lázaro Cárdenas is already receiving ships from CP Ships Ltd., APL Ltd., and Maersk, including some that arrive directly from Asia.

Port officials are investing \$200 million to build Mexico's largest container terminal, with a capacity of 2 million TEUs, or twenty-foot equivalent units, a standard yardstick in the shipping business.

That's just a drop in the bucket of the combined 13.1 million TEUs that Los Angeles and Long Beach handled last year, but it would be more than twice the freight moved in 2004 by Manzanillo, Mexico's largest Pacific container port.

Railroad TFM SA, which has lines that go into the Port of Lázaro Cárdenas, was recently acquired by Kansas City Southern.

The U.S. railroad aims to be a backbone of the new trade route linking the Mexican Pacific to the U.S. heartland – a key competitive advantage for the Port of Lázaro Cárdenas.

"We're going to be able to offer direct rail service all the way to the East Coast of the United States," said Héctor Carranza, a Lázaro Cárdenas marketing official.

Spotlighting the new route this spring, Kansas City will import several dragon boats from its sister city in China, transporting them from Mexico to Missouri.

And David Burdick, the president of Kansas City-based Priority Logistics Inc., is preparing to transport goods from Manzanillo and Lázaro Cárdenas to clients throughout the United States.

"I understand why we moved a lot of manufacturing production offshore," Mr. Burdick said. "But did we anticipate the cost of transporting it and the cost of it sitting in the ocean? We need to find ways to move the goods competitively, just like manufacturers have to be competitive."

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