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Project Name: **North America Inland Port Network (NAIPN)**
Master Development Strategy - Phase I

I. EXECUTIVE SUMMARY

It is with great pride that the **North American International Trade Corridor Partnership (NAITCP**) presents the **North American Inland Port Network (NAIPN)** to the United States Trade and Development Agency (USTDA). The NAIPN project, fully consistent with the bilateral initiative **Partnership for Prosperity** (**P4P**) and with President Fox's National Development Plan, envisions an integrated, efficient and secure network of inland ports specializing in the transportation of containerized cargo in North America. This modern network of inland ports with a special focus on security systems for containerised cargo is a key element to effectively integrate Mexico to the North American economic block and to pave the road for Mexico to become a higher value added economy. The overriding objective of this project is to further increase Mexico's competitiveness while also promoting a secure regional trading environment.

The NAIPN responds to the challenge of making Mexico a secure place for investments to flourish and businesses to grow while also ensuring that the benefits of economic liberalization reach all levels of society. Currently, the Mexican public and private sectors are vigorously pursuing a strategy of fortifying the country's transportation system. The NAIPN, as a central pillar of this strategy, will be designed to promote important principles such as enhanced competitiveness, business facilitation, customs cooperation, technological innovation, transportation modernization, infrastructure capacity building, and enhanced security.

NAIPN DRIVING PRINCIPALS:

The main guiding principal of the NAIPN is to develop logistics systems that enhance global security, but at the same time do not impede the cost-effective and efficient flow of goods. Other driving principals are:

i. Inland ports are essential components for the integration and efficiency of the NAFTA transportation system.
ii. Inland ports can be **"secure launching pads"** for international trade.
iii. The NAITCP and the North America's Superhighway Coalition (NASCO) have created the North American Inland Port Working Group which is the precursor to the NAIPN. Participating projects include Winnipeg, Des Moines, Kansas City, Oklahoma City, Ft. Worth, San Antonio, Monterrey, San Luis Potosí, Querétero, Silao, Guadalajara and Heuhuetoca.
iv. Linking Mexico's inland ports into one cohesive national network will increase internal demand for products and services.
v. Mexican customs law has recently changed to allow for "inland trade processing" through the creation of "***Recintos Fiscalizados Estratégicos".***
vi. Mexico desperately needs to improve its **container handling** systems and infrastructure.

vii. From a security and efficiency point of view, it is better to promote the use of **rail for cross-border** transactions. Security inspections and risk assessment programs can be facilitated given that each unit train leaving a secure inland port bound for the U.S. can carry the equivalent of 350 trucks.

viii. **Rail should be promoted for longer distances** while trucking is more competitive in shorter distances. This will also reduce the pressing need to finance new highways in Mexico.

ix. Several isolated initiatives are underway to develop inland ports and implement security programs. This project will serve to unify many of these efforts.

PROJECT BENEFITS FOR BILATERAL COOPERATION:

i. NAIPN will **increase competitiveness** of manufacturing operations in North America by promoting integrity and security of the NAFTA transportation system, eliminating barriers to a more efficient, competitive and environmental-friendly transportation system to serve the interchange of goods between Mexico, Canada and the U.S.

ii. Reduction of security cost in transportation: By promoting the use of Intelligent Transportation Systems (ITS), secure facilities and double stack rail service will help **reduce current security costs**.

iii. Mexico and the U.S. require **alternative distribution networks** to other economic regions in case of attacks or breakdowns on strategic existing transportation facilities, while also avoiding the use of incoming transportation systems for criminal purposes or terrorist attacks.

iv. By promoting the extensive use of cross-border rail service NAIPN will **reduce existing labor conflicts** associated with Mexican truck traffic in the U.S.

v. The NAIPN will help **reduce border congestion** and increase transportation capacity in the region.

vi. By increasing and guaranteeing traffic to strategic infrastructure projects, the NAIPN will promote better conditions to attract private investment towards Mexico's strategic infrastructure projects, namely the country's new highway concession program.

vii. NAIPN will increase the integrity and security of the NAFTA transportation system.

PROPOSAL SUMMARY

The non-profit NAITCP is requesting **$697,051 USD** (detailed budget annex III) from the USTDA to carry out the **Phase One of a Master Development Strategy** for the Mexico inland ports network. This bilateral competitiveness oriented and environmental friendly initiative, highly supported by the Mexican Government is not expected to negatively impact U.S. labour conditions. In summary, the project scope (detailed in section XI) covers the following principals:

i. In coordination with public and private sector sponsors, create a **strategic infrastructure plan** for each of the six inland ports in Mexico.
ii. Develop plans for the necessary infrastructure and systems that would serve to **link** the Mexican inland ports with each other and with inland ports in the U.S. and Canada.
iii. Develop a multimodal Intelligent Transportation Systems (**ITS**) plan that would link the inland ports, increase trade efficiency and promote the implementation of vital security programs. This would have important synergies with the **U.S. – Mexico Smart Border plan**.
iv. Develop a plan for the implementation of "**Inland Trade Processing**" amongst the members of NAIPN. One of the key deliverables of the USTDA project will be an implementation plan for *Recintos Fiscalizados Estratégicos* in the six participating inland ports.
v. Develop a plan for the implementation of vital **security programs** such as the U.S. Customs – Trade Partnership Against Terrorism (CT-PAT), the Container Security Initiative (CSI) and the Business Anti-Smuggling and Security Coalition (BASC)

We are certain that the NAIPN will help create greater North American transportation capacity, promote economic growth, and enhance security along the entire supply chain in the NAFTA region.

II. PROJECT DESCRIPTION

The Mexican inland ports to be included in the first phase of the project are: Monterrey, San Luis Potosí, Querétaro, Silao, Guadalajara and Huehuetoca. Through the NAIPN, these projects will be linked to one another. Subsequently, through modern multimodal infrastructure, intelligent transportation systems (ITS), security programs and cross-border customs coordination, Mexico's inland ports will be linked with similar projects in Canada and the U.S.

Cargo generation programs, customs modernization, infrastructure enhancements, operational improvements and the use of ITS will help justify frequent rail and trucking service between these important transportation hubs in the NAFTA region. The essence of the NAIPN is to build additional transportation capacity the in NAFTA region, realize operational improvements, implement innovative security and customs protocols while providing Mexican businesses with more competitive access to global multimodal systems.

NAIPN COUNTER TERRORISM STRATEGY – PROMOTING ENHACED SECURITY

Mexico, like most other nations, faces a serious challenge: How best to design and implement effective multimodal security measures that will successfully defend its trading and transportation system from terrorism while simultaneously ensuring the efficient movement of goods.

Mexico shares with the United States the widely held concern over the possibility that the international transportation system could be used as a medium for terrorism. Mexico is taking action to protect its transportation system and prevent assets from becoming weapons used to advance terrorism's perverse agenda. The Mexican public and private sectors are working with their international partners to devise and implement effective strategies to **reduce and manage such risks**. However, many shippers, consignees, carriers, ports and terminal operators also fear that as a result of new security measures, the free and efficient flow of commerce will be impeded. The NAIPN is based on the understanding that, if the proper policies are put in place, **efficient transportation and secure transportation are not incompatible.**

The NAIPN will promote greater multilateral customs coordination and work to increase the integrity of cargo shipments as a means to advance the Partnership for Prosperity**.** The terrorist attacks of September 2001 illustrated the critical yet fragile

nature of the international transport system. For the NAFTA economy to flourish, the transportation system must continue to provide safe, secure, efficient and reliable movement of goods.

Founded on sound international trade and security principles, the NAIPN will serve as a **NAFTA pathfinder risk assessment initiative for containerized cargo**. With USTDA funding, the project sponsors propose the creation of a public/private working group that would develop the NAIPN as a pilot project for key security programs such as the Business Anti-Smuggling and Security Coalition (BASC), the Container Security Initiative (CSI), the U.S.-Mexico Smart Border plan and the U.S. Customs - Trade Partnership Against Terrorism.

SECURITY ENHANCEMENT 1: ADVANCING EXISTING INITIATIVES

Business Anti-Smuggling and Security Coalition (BASC)

The NAIPN will serve as a pilot project for the expansion of the BASC program in Mexico. The NAIPN subscribes to BASC's efforts to unite the public and private sectors to combat terrorist activities and narcotics smuggling via legitimate commercial activities. The NAIPN envisions the use of ITS that will permit officials to oversee the security of the entire manufacturing and shipping processes, thereby creating a more security-conscious environment at manufacturing plants. Eventually, Mexico would like to see the entire NAIPN system obtain BASC certification.

Container Security Initiative (CSI)

The NAIPN can also serve as a pilot project for the CSI. Approximately 90% of the world's cargo is transported in containers, including half of the goods that enter the U.S. Mexico is taking significant actions to increase its container handling capabilities and security is a vital issue. With the proper risk assessment programs and ITS, the NAIPN could help increase container safety in Mexico and the U.S. by establishing security criteria to identify high-risk containers and pre-screening containers before they reach the U.S. border. The NAIPN will also propose providing facilitated treatment for those shippers who use advanced technologies such as laser sealing, bar coding and light or temperature sensitive alarms in containers. Advance information sharing will also be a significant part of the NAIPN's customs protocols. Vital information along the route will be shared through ITS between all of the participants.

U.S.-Mexico Smart Border plan

As part of the U.S.-Mexico Smart Border plan, laser-scan identification cards for frequent border cargo crossings, X-ray or gamma-ray facilities, shared computer databases and special express lanes for pre-inspected shipments will be included as integral parts of the NAIPN. All of these provisions will help increase security while facilitating the movement of legitimate trade.

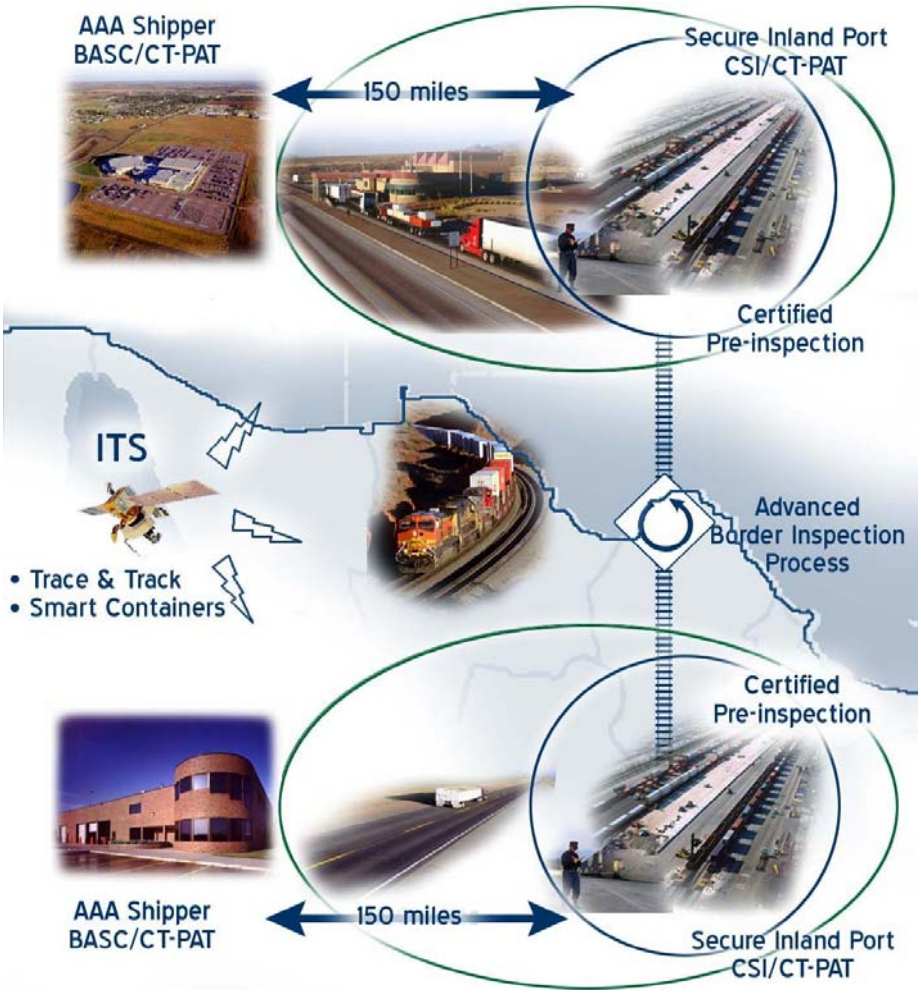
U.S. Customs-Trade Partnership Against Terrorism (CT-PAT)

The NAIPN could be the genesis of a public/private initiative to build cooperative relationships that strengthen overall supply chain and border security. Through a NAIPN pilot project, NAFTA Custom's officials could work with the private sector to ensure the integrity of their business practices and communicate their security guidelines to their partners within the supply chain.

SECURITY ENHANCEMENT 2: MULTIPLE CHECKPOINTS

NAIPN foresees a system that will serve as a risk assessment pilot project with a series of physical and virtual checkpoints. Goods will be sent via secure containers, pass through several X-ray or gamma-ray arcs at different locations, and have ITS track their every move.

For example, it is envisioned that goods shipped through the NAIPN could travel the following path. First, goods will undergo an initial security inspection at the shipper's location and/or during their transshipment in the inland port. The inland port will then send advance notification to Mexican and U.S. Customs with the corresponding "pre-clearance" information on the cargo. If no anomalies are detected at the inland port, the containers will head north on double-stack unit-trains. The unit trains will be tracked by GPS and monitored by ITS during the entire journey. When the train reaches the U.S. border, the containers will pass through X-ray or gamma ray arcs, and will clear U.S. Customs under the new electronic manifesting system. Again, any containers with anomalies will be removed from the unit train and inspected immediately. The cargo will then travel on to a Canadian or U.S. inland port on Kansas City Southern, Union Pacific or BNSF, while being GPS/ITS tracked. Upon arrival to the inland port, the containers could be subjected to another full customs inspection and then trucked to their final destination.



Another part of this agile transportation system involves special treatment for ***AAA* cargo.** For a business to be certified as a AAA client under the pilot project, it must pass a series of rigorous information sharing, security and best practices requirements as outlined in programs such as BASC and CT-PAT. The NAIPN will lobby for the provision of facilitated treatment for AAA clients. The argument is sound; authorities can make better use of security equipment and personnel while also increasing the effectiveness of interdiction efforts by focusing their efforts on truly risky or unknown shippers. Security measures like AAA client certification and ITS will enhance the overall system of multiple checkpoints throughout the entire NAIPN.

SECURITY ENHANCEMENT 3: REDUCING BORDER CONGESTION

The NAIPN could help reduce border congestion and decrease the time demands on security personnel and equipment. Congestion at the border and in ports creates pressure on personnel to keep traffic moving. As a result, inspection levels and/or thoroughness can sometimes suffer. It is now widely held that the border should be the last line of defense against terrorism and not the first. In response to this problem, the NAIPN is working towards the use of **advance information sharing and pre-inspection** protocols as a means to more efficiently use border personnel and equipment. One of the goals of the NAIPN is to allow personnel and equipment on the border to concentrate on their ever-important security function while carrying out **non-vital customs procedures in the**

inland ports. This approach will help reduce border congestion and increase inspection levels and thoroughness.

SECURITY ENHANCEMENT 4: INCREASED INSPECTION LEVELS AT INLAND PORTS:

One of the objectives of the NAIPN is to obtain and analyze shipment information early enough to implement more timely and effective screening. The NAIPN provides a structure that will allow government and industry to work together to establish pre-screening requirements and procedures. It is not possible or necessary to physically inspect every container entering or leaving Mexico. However, it is necessary for Mexico and the U.S. to have the capability to inspect those containers that they identify as deserving further attention. The NAIPN aims to harness **information flows** so that authorities will be able to identify which containers warrant inspection. NAIPN proposes working with Mexican and U.S. authorities on the installation of non-intrusive container inspection equipment that will be operated by specially trained personnel. In other words, the advance security information systems and inspection equipment implemented under the NAIPN will provide the means to check out a questionable container before it reaches the border.

The use of inland trade-processing centers in Mexico, the U.S. and Canada as state-of the-art security check points or launching pads will lead to increased inspection levels while simultaneously promoting the agile movement of cargo. Once the inspection and ITS systems are developed, they would be implemented in strategic inland ports throughout North America. Security concerns demand an increase in the quantity of goods inspected before they cross the U.S. border. Unfortunately, increasing the number and thoroughness of inspections at ports of entry can put pressure on personnel and infrastructure thus creating longer lines and costly delays for business. Inland ports can help **alleviate congestion**.

The status quo is not an option. The aggressive use of risk assessment inspection policies is a central part of the NAIPN. The NAIPN proposes working towards **"smarter" inspections** at the border that simultaneously increase security parameters and facilitate the flow of goods. Providing AAA cargo with facilitated treatment at the border can be an integral part of the new global security paradigm. By carrying out non-security related procedures for AAA cargo in an inland trade-processing center, as proposed in the NAIPN, pressure on border infrastructure and personnel would be reduced. Tracing and tracking AAA cargo to an inland port and the use of risk assessment protocols would allow border authorities to focus their efforts on inspecting high-risk shipments.

In conclusion, using the NAIPN as a pilot project for programs such as BASC, CT-PAT and CSI would be a positive contribution to global security. The NAIPN could be a laboratory for the development of innovative risk assessment, ITS and customs modernization protocols for the participating NAFTA economies.

U.S. – MEXICO CUSTOMS COOPERATION

Mexican customs has made enormous gains in the area of effectiveness and efficiency in recent years. Customs or *Aduanas* has been working to streamline the efficiency of its procedures while at the same time implementing systems that do not compromise the thoroughness of contraband interdiction and anti-terrorism programs. Through training, implementation of smart technologies, infrastructure improvements and risk assessment techniques, *Aduanas* is playing a key role in making Mexico one of the most open economies in the world. One of *Aduana´s* most successful policies in its detailed modernization strategy has been international cooperation. Specifically, in the area of customs cooperation, Mexico and the U.S. are experiencing unprecedented levels of cross-border collaboration.

Mexico and the U.S. have formed a bilateral Customs Working Group that has achieved tangible and measurable results. The **NAIPN will build on the Customs Working Group** structure and will benefit from the overall environment of goodwill and cross-border cooperation. The following are concrete areas of bilateral cooperation under the Mexico-U.S. Customs Working Group that impact directly and positively on the NAIPN:

i. Harmonization of hours of operation – bilateral coordination in this area improves the flow of traffic in the border region, alleviates congestion and leads to a more optimal usage of infrastructure and personnel;
ii. Information exchange programs – improves risk management programs;
iii. Industry initiatives – the two countries are working closely together on new private sector initiatives such as BASC and CT-PAT. The NAIPN is an ardent supporter of expanding partnerships between government and private sector trade groups to increase security and compliance of commercial shipments while simultaneously expediting customs clearance procedures;
iv. Formation of new BASC Chapters – Chapters already exist in Mexico City, Ciudad Juárez and Monterrey. Guadalajara, Lázaro Cárdanas and Manzanillo are high priorities for the NAIPN stakeholders;
v. Exchange of low risk importer lists – the NAIPN proposes granting facilitated treatment for “AAA” or low risk importers as a means to increase inspection thoroughness and improve the flow of trade;
vi. Electronic exchange of information – electronic confirmation of in-bond shipments is a key component to secure the integrity of in-transit shipments;
vii. Electronic seals – Mexico and the U.S. have agreed to conduct pilot projects in this area. The effective use of electronic seals combined with modern trace and track technologies will lead to the effective implementation of in-bond customs clearance protocols;
viii. Rail imaging - along the Mexico – U.S. border the two nations will work together to improve “rolling” and “remote” rail imaging programs;
ix. Information exchange protocols – sharing information between authorities is crucial to effective risk management efforts. The NAIPN seeks to establish appropriate and practical mechanisms for the exchange of customs information;

x. Electronic tracking devises – the bilateral working group is exploring ways to use electronic tracking devises. The NAIPN should be a pilot project for such efforts;
xi. Port security programs – the two countries are jointly conducting port security assessments in Mexican ports. A bilateral delegation has already conducted a port security assessment at the port of Manzanillo.

MEXICO'S INLAND PORT NEW LEGAL FRAMEWORK

One of NAIPN's most import tasks will be the implementation of the recently published legal figure for inland ports in Mexico know as *"recintos fiscalizados estrategicos."* This breakthrough in customs legislation consists of the establishment of customs facilities within an inland port. Through this mechanism, shippers will be able to introduce foreign merchandize to be handled, stored, inspected, exhibited, distributed, transformed and sold in points in the interior of Mexico. This breakthrough in customs legislation will promote the establishment of inland ports as "inland trade processing centers" and "secure commerce launching pads"

INTELLIGENT TRANSPORTATION SYSTEMS (ITS)

The NAIPN will demonstrate the effectiveness of existing and new technologies and will facilitate the development of ITS standards that enhance interoperability amongst economies. The project includes elements of tracking container freight movements through intermodal port facilities and to their ultimate destination and the provision of inland clearance through electronic customs protocols. The ITS programs to be implemented under the NAIPN will help Mexico improve its transportation system by contributing to the efficient use of infrastructure and regulatory personnel.

A properly designed architecture for the communication amongst the ITS components will provide means to collect, integrate, and provide real-time, online information to monitor and manage traffic along the entire NAIPN route. The NAIPN ITS communication architecture should be conceptualized in such a manner that its future growth allows:

i. Network expansion.
ii. Future connection to maritime port facilities.
iii. Seamless integration (international standard) to exchange information with other commercial partners in other economic regions in the world.

The NAIPN ITS implementation plan will provide the best approach and design insights to create an entity that will be in charge of monitoring the multimodal container traffic in Mexico. The insights for the conceptualization of a new SETRAM (Multimodal Container Traffic Control System) entity will be defined **in cooperation with the Mexico's Secretariat of Communications and Transport (SCT),** and with U.S. and

Mexican customs. It is expected this new container ITS tracking system will be served by modular "control towers" strategically located with defined geographic coverage. This will allow authorities to maintain continuous information in order to:

i. Guarantee the proper traffic flow conditions.
ii. Safe and secure transportation of goods
iii. Provide an integrated communications platform to provide information regarding:
    a. Traffic management
    b. Location of commercial vehicles
    c. Accident warnings
    d. Weather conditions
    e. On line tracking to supply chain service providers
    f. Electronic transactions

The SETRAM concept will be based on the Mexican federal air traffic control system (SENEAM) and it will be expected to report the SCT in Mexico. This would also be a high priority initiative to be integrated into the "***e-Mexico"*** program**.**

III. DEVELOPMENT IMPACT

The transportation infrastructure disparity between the U.S. and Mexico will serve to limit growth in the NAFTA region. Currently in Mexico, there are many high priority items such as poverty alleviation, health care and education competing for limited federal budget allocations. The limited investment capacity in Mexican infrastructure projects is progressively reducing the country's international competitiveness. Today, the loss of

competitiveness along with the changing global conditions are leading many the maquila industry to relocate to other regions that offer lower assembly costs. Mexico, and its NAFTA partners, will only be benefited by international trade trends if it takes advantage of its strategic location and transforms itself into an **advanced-manufacturing platform.** Such an advanced manufacturing platform needs to be served by an adequate logistics system. As of today, Mexico cannot offer efficient and competitive transportation solutions due to the **lack of integration of the different transportation modes** and the lack of adequate infrastructure. The World Bank estimates that **when transportation costs are cut in half, commercial activity can be increased up to five times**. Mexico's high transportation costs and additional security requirements are limiting overall Mexican competitiveness in the global scale as reported by the World Economic Forum's Global competition Report 2000-2001:

INFRASTUCTURE GLOBAL COMPETITIVENESS

COUNTRY	GENERAL	ACCESS TO CREDIT	HIGHWAYS	RAIL ROADS	PORTS	AIRPORTS
USA	9	51	5	23	12	4
Canada	12	36	6	10	7	11
Mexico	54	56	25	49	55	44
Singapore	2	9	40	15	1	1

According to recent studies by the World Bank, **Mexico's limited investment capacity in infrastructure, primarily on highways, represents a high country risk** since Mexico has the lowest length of highway per square kilometer ratio compared with its commercial partners and currently, Mexican commerce is highly dependent on truck transportation. Mexico does not offer an adequate inland port network that would promote the integration of the different transportation modes. **Mexico is obligated to make the best and most efficient use of the existing infrastructure while focusing investment on strategic projects** that would promote the integration of the existing transportation systems.

The reorientation of Mexico's transportation systems by implementing an inland port network interconnected by railroads and regionally served by trucks with growth capabilities for maritime port integration is the best strategy that Mexico can follow to establish the logistic platform that North America needs to be competitive as an economic block.

IV. PROJECT SPONSORSHIP COMMITMENT

Government:
The Secretariat of Communications and Transport (SCT)
The Secretariat of the Economy (SE)
Mexican Customs (Aduana México)
State and municipal governments directly benefited by the NAIPN

Private Sector Sponsors:
The Confederation of Industrial Chambers (CONCAMIN) – transportation users
The North America´s Superhighway Coalition (NASCO)
The Mexican Association for Intermodal Transportation (AMTI)
Private rail companies – TFM, Ferromex, Kansas City Southern, Union Pacific, BNSF and Canadian National.

The public-private partnership supporting the NAIPN is committed:

i. To the safe, secure, efficient and environmental-friendly movement of goods between Mexico, Canada and the U.S.

ii. To condemning in the strongest terms, the misuse of any part of Mexico's transportation system or its infrastructure for acts of terrorism.

iii. To a seamless and safe transportation system to facilitate trade and economic development.

iv. To building human capacity in the areas of productivity, skills and efficiency in the transportation sector.

v. To strengthening the ability of Mexico to prosper in the global economy through an efficient, integrated and safe transportation system.

vi. To eliminating barriers to a more competitive transportation system.

vii. To promoting the use of Intelligent Transportation Systems (ITS).

viii. To promoting investment in Mexico's transportation sector.

ix. To working with all NAFTA countries to develop programs for more competitive Intermodal transportation, including customs cooperation, inland port efficiency and railroad transportation harmonization.

x. To working expeditiously to develop and implement an improved container security regime to identify and examine high-risk containers and ensure their in-transit integrity.

xi. To requiring advance electronic information pertaining to containers, including their location and transit, as early as possible in the trade chain.

xii. To developing a security assessment and security plan for the inland ports of Monterrey, Guadalajara, Querétero, San Luis Potosí, Silao, Huehuetoca.

xiii. To linking Mexico's inland ports network with similar projects in San Antonio, Ft. Worth, Oklahoma City, Kansas City and Winnipeg.

V. IMPLEMENTATION FINANCING

This feasibility study is to determine the possibility of implementing the NAIPN concept. A large part of this study will be to determine how NAIPN might be implemented, including overall cost estimates, owner/partnership relationships, potential sources of financing, and obtaining commitments for that financing.

Potential sources of financing, would be: the Mexican Federal Government through its Customs and Border agencies; various States and Cities within Mexico; the Mexican railroads; Mexican private investors; the American Government through its Customs, Border Patrol, and Office of Homeland Security; various American states and cities; American railroads; and American private investors. Other possible sources of investment could be the World Bank, the International Monetary Fund, the Inter-American Monetary Fund, the Inter-American Development Bank, the Inter-American Investment Corporation, and foreign firms involved in the import/export business.

The determination of the potential availability of finances and the sources of financing are principal aspects of this study. Another of the major aspects of this study will be to determine potential private investors, and to suggest ways in which they might become involved.

Determining the project implementation schedule is part of this feasibility study. It is anticipated that there will be changes in existing legislation and regulations, and/or new legislation and/or regulations required in both Mexico and the United States before complete implementation can proceed. There may also be labor agreements that will need to be modified. Principally because of these two factors, it is not possible to project an implementation schedule.

One of the major reasons for this study is to identify major obstacles to the implementation of NAIPN. It will initiate the process of trying to overcome those major obstacles during the study in order to determine whether it is feasible to proceed with further implementation plans. Only after this study is completed, and the obstacles to implementation are identified, will it be possible to define a potential schedule for further progress in the implementation process.

VI. US POTENTIAL EXPORT

The following are expected items for potential U.S. exports during the project implementation:

i. Detailed engineering services to insure consistency with U.S. / Canada standards.
ii. Installation of intelligent transportation systems (ITS), specialized high-technology customs systems.
iii. Implementation of comprehensive security programs.
iv. Container handling equipment
v. Railroad infrastructure components and equipment (ties, signals, locomotives, etc)

We have identified the following selected U.S. companies engaged in the supply of terminal equipment and port consulting engineer services:

Consulting Engineers

Hanson Wilson Inc.
JWD Group

Moffat & Nichol Engineers
Parson Brinkerhoff

Intermodal and Port Equipment:
Capacity of Texas
Cheetah Chassis Corporation
Crane Carrier Company
Hyster USA
Mi-Jack Products
Paceco Corporation
Taylor Machine Works

Terminal Management Software
Maher Terminal Logistics Systems
Navis
Optimization Alternatives Limited
Tideworks Technology

VII. FOREIGN COMPETITION

The NAIPN would help sure market opportunities for the produces and sellers of U.S. ITS in the Mexican transportation system. Both European and Asian technologies are competing with U.S. systems to form the backbone of Mexico's ITS programs.

VIII. IMPACT ON ENVIRONMENT

The implementation of this feasibility study will not have any measurable effect on the environment. It is well established that truly multimodal transportation systems are more environmentally friendly in comparison with truck-dominated networks. NAIPN will help facilitate the development of a NAFTA regional multimodal system that will hold import environmental benefits.

If NAIPN proves feasible and is implemented, there are a number of potential improvements to the environment.

First, there should be a significant amount of Mexican truck traffic diverted to the Mexican railroads, which would have the following benefits:

i. It would reduce the air pollution in Mexico.
ii. It will reduce the amount of petroleum products used, thus prolonging the supply of those products.
iii. There will be a reduction in the need for major highway construction in Mexico, thus saving the resources that would be required.
iv. There will be a reduction in the amount of time that the remaining trucks and automobiles will take to cross the border into the United States, thus reducing the traffic congestion and increasing the efficiency of border crossings.

v. There will be a savings in the time it takes railroad trains to cross the border, thereby saving large amounts of idle hours and fuel for the railroads.

Second, there should be a significant reduction in the number of trucks crossing the border into the U.S. This will affect the U.S. in a number of ways, and would have the following benefits:

i. It would reduce the amount of air pollution, particularly in the border towns.
ii. It will reduce the annual maintenance costs of the highway infrastructure in the United States and especially Mexico.
iii. It will reduce the use of petroleum products used in the United States, thus reducing the dependence on foreign oil imports.
iv. There will be a reduction in the amount of time it takes the remaining trucks and automobiles in the U.S. to cross the border, thus reducing traffic congestion, noise pollution and air contamination
v. There will be a savings in the time it takes railroad trains to cross the border, thereby saving large amounts of idle hours and fuel for the railroads.

Third, there could be a consolidation of some intermodal facilities in Mexico, thereby increasing the efficiency of handling containerized cargo.

Fourth, If NAIPN is successful; it will be a means towards increased security for the U. S. because of the reduced risk of terrorists utilizing containers, and their shipment into the United States, to their advantage.

Fifth, with the NAIPN implementation, hazardous materials would be handled through Railroad, reducing environmental risks associated with truck accidents .

The potential negative environmental impacts of the project appear to be minimal, except for two potential environmental impacts:

i. Assuming the study shows that there would be new intermodal facilities required to implement NAIPN, there would be the temporary impacts during construction of new facilities, and the railroad and highway infrastructure to service them.
ii. The long-term environmental impacts that would accrue if the construction of new facilities required construction on existing prime agricultural ground or in unique natural environments.

If construction of new facilities is required, each facility, or portion of facility, would be required to be permitted under the Federal, State, and local regulations existing at the time and location.

IX. IMPACT ON US LABOR

The NAIPN will impact positively on U.S. job creation. First, in the study and implementation phases of the project substantial opportunities will exist for American companies to sell services and equipment. Second, the NAIPN, by improving the

NAFTA regional transportation system, will reduce the cost of exporting U.S. products to Mexico. Third, U.S. investment in Mexico's rail system will be positively impacted. Forth, U.S. manufacturers with operations in Mexico will experience time and cost savings thus contributing to the overall profitability of American enterprises. Finally, U.S. construction firms will undoubtedly participate in the development of Mexican inland ports and strategic infrastructure projects.

The implementation of the Master Development Strategy of the NAIPN would not provide: (a) any financial incentive to a business enterprise currently located in the United States for the purpose of inducing such an enterprise to relocate outside the United States; (b)assistance for the purpose of establishing or developing in a foreign country any export processing zone or designated area in which the tax, tariff, labor, environment, and safety laws of that country do not apply, in part or in whole, to activities carried out within that zone or area: (c) assistance for any project or activity that contributes to the violation of internationally recognized workers rights; and (d) direct assistance for establishing or expanding production of any commodity for export by any country other than the United States.

If NAIPN is implemented, there could be some reallocation of jobs as trucks are removed from the highways, with those jobs replaced by employment in intermodal facilities, and in the railroad industry.

X. QUALIFICATIONS

The team contracted to perform the feasibility study should have the following experience:

i. Economic and financial analysis capability (return on investment, cost/benefit), including understanding of the criteria applied by international development agencies;
ii. Forecasting container and trailer traffic through intermodal facilities, particularly as related to the two major Mexican railroads, and the NAIPN cities;
iii. Knowledge of, and experience working with, the intermodal network of the Mexican railroad system and the two major Mexican railroads, particularly as related to the proposed NAIPN cities;
iv. Intermodal facility design for the two Mexican railroads;
v. Knowledge and experience of working with Mexican and American Customs, particularly as related to border crossings issues;
vi. Economics of intermodal terminal facilities, terminals, and operations;
vii. Working with the major U.S. railroads in the designing intermodal facilities;
viii. Understanding of, and experience working with, railroad operations.
ix. Civil engineering design and planning of intermodal facilities;
x. Highway traffic engineering and traffic analysis;
xi. Process for involving private sector entities in participation (management concessions, terminal concessions, etc.);

xii. Project experience in Mexico;

xiii. Ability and experience in working with governmental agencies at Federal, State, and local levels;

xiv. Environmental assessment of intermodal facility projects, including the environmental standards as related to participation by international development agencies;

xv. Working with logistics firms;

xvi. Working with Mexican firms with railroad and intermodal experience; and Spanish language capability.

XI. JUSTIFICATION

Funding from the USTA is needed to layout a strategic development plan that involves several different governmental agencies as well as state and municipal governments. Without the USTDA funding, it would be very difficult to bring together all of the different governmental agencies and private business that are needed to make this project a reality.

The NAITCP, as a Mexican non-profit corporation, is in a unique position to consolidate the formation of the NAIPN public-private partnership, and USTDA, would undoubtedly serve as a catalyst is this important project.

XII. TERMS OF REFERENCE (SCOPE OF WORK)

NAITCP and Hanson Wilson Inc. have defined the following study task for the phase one of the "Master Development Strategy" of the NAIPN Project:

i. Regulatory and legal issues

a. Review railroad concession terms for consistency with the proposed NAIPN project.
b. Review the new legal framework of "*Recinto Fiscal Estrategico*" and its government implementation program for consistency with the NAIPN project.
c. Review trade documentation issues and regulations for compatibility with the NAIPN project.
d. Review existing customs regulations and policies (Mexico, U.S., and Canadian) to determine how they affect the potential for implementation of the NAIPN project.
e. Review local, state, and federal laws and regulations (Mexico, U.S., and Canadian) to determine legal obstacles to NAIPN implementation.
f. Suggest changes in laws and regulations that could be made to allow NAIPN to become a reality.
g. Study how the implementation of the NAIPN would affect the private competition between railroads in Mexico, the U.S., and Canada, and whether those railroads would be inclined to participate in the program.

ii. Transportation security issues

Review existing security cooperation agreements

a. CSI.
b. BASC.
c. Smart Border Plan
d. Homeland Security

iii. Intelligent transportation systems (ITS)

a. Review existing technologies being used (railroad AEI, etc.)
b. Review other programs in current development (BB2ANFTA, current ITS by SCT, etc.)
c. Identify methodology and strategy of implementation.
d. Determine guidelines for proposed architecture for information exchange (RR, SCT, Customs, etc.)
e. Insights on the implementation of SETRAM

iv. Strategic infrastructure requirements

a. Analysis of current operation and technology profile for existing intermodal facilities at NAIPN cities.
b. Site visits and evaluations of existing intermodal facilities to determine the feasibility of them becoming interior ports (land issues, railroad operation issues, highway access, etc.
c. Determine possible locations for single intermodal facilities that could be used by multiple railroads as inland ports.
d. Determine additional infrastructure needs for each interior port within the network.
e. Determine improvements to the highway networks serving the inland port sites that would be necessary to improve access to inland ports.

v. Economic and financial studies:

a. Analyze the origins and destinations of current freight shipments within Mexico to determine the potential for shifting those shipments from truck to railroad through intermodal terminals, and the economic impact of such a transportation mode shift.
b. Analyze the origin and destination of current freight shipments from Mexico to the United States to determine the potential for shifting those shipments from truck to railroad through intermodal terminals, and the economic impact of such a transportation mode shift.
c. Analyze the origins and destinations of cargo imported through ocean ports in both Mexico and the United States to determine whether the implementation of NAIPN would shift cargo from United States ports to Mexican ports, and how such a transfer would impact the current congestion at the United States ports and the amount of containerized freight handled by Mexican railroads and intermodal facilities.

d. Estimate the costs of new, or improved, infrastructure required to intermodal facilities, highways, and other facilities to implement the NAIPN project.
e. Estimate the costs of communication systems necessary to implement the NAIPN project
f. Prepare a financial study of the impacts of the NAIPN project.
g. Identify potential investment resources.

vi. Environmental aspects of the NAIPN

a. Determine local and federal environmental requirements for each proposed inland port site.
b. Evaluate the ports existing environmental conditions to determine what needs to be implemented to meet environmental standards applied by local authorities and by international development agencies such as the World Bank, Inter-America Development Bank, etc.
c. Analyze and propose mitigation actions related with potential negative impacts and risk associated with transportation of hazardous cargo.

vii. Implementation plan

a. Define the participation role for every involved entity (public and private).
b. Define a possible phased implementation plan for the project, including necessary changes in laws and regulations, infrastructure improvements, intermodal facility improvements, etc.
c. Identify the rate of capitalization needed from public and private sources, and the potential for receiving that investment.

viii. Final report

a. Prepare draft report that summarizes the findings of the study, for submission to NAIPN (who will forward the study to all involucrate agencies for a final meeting discussion). Prepare a final report that summarizes the findings of the study and/or other deliverables.

b. On receipt of comments by NAIPN, the consultant will prepare a Final Report with the findings of the study and other deliverables to the NAIPN and US TDA Participate in meetings with public and private groups to explain and discuss the study findings.

XIII. BUDGET

See annex III.

ANNEX I (IMPACT ON US LABOR STATEMENT)

The Foreign Operations, Exports Financing and Related Programs Appropriations legislation restricts U.S. foreign assistance from being used to provide: (a) any financial incentive to a business enterprise currently located in the United States for the purpose of inducing such an enterprise to relocate outside the United States if such incentive or inducement is likely to reduce the number of employees of such business enterprise in the United States because United States production is being replaced by such enterprise outside the United States; (b) assistance for the purpose of establishing or developing in a foreign country any export processing zone or designated area in which the tax, tariff, labor, environment, and safety laws of that country do not apply, in part or in whole, to activities carried out within that zone or area; (c) assistance for any project or activity that contributes to the violation of internationally recognized workers rights; and (d) direct assistance for establishing or expanding production of any commodity for export by any country other than the United States, if the commodity is likely to be in surplus on world markets at the time the resulting productive capacity is expected to become operative and if the assistance will cause substantial injury to the United States producers of the same, similar or competing commodity.

This project will provide better relations with the three countries involved with NAFTA avoiding further migration to the U.S. as well as promoting companies

XIV. ANNEX II (NATIONALITY REQUIREMENTS)

The purpose of USTDA´s nationality, source and origin requirements is to assure the maximum practicable participation of American contractors, Technology, equipment and materials in the prefeasibility, feasibility and implementation stages of the project.

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ANNEX III BUDGET AND PROJECT SCHEDULE

Direct Labor Cost

No	Task	Position: Project Manager	Facility Engineer	Attorney, Legal expertise	Market & Economic Analyst	System Engineer (TI Expert)	Environmental Engineer	Trade Specialist	Days	USD
1	Regulatory and Legal Issues	30.5	10.0	52.0	13.0	1.0	1.0	31.0	138.5	$ 142,500.00
2	Security programs in Transportation	7.5	20.0	7.5	7.5	0.0	0.0	7.5	50.0	$ 50,375.00
3	Intelligent Transportation Systems	16.0	19.0	5.0	3.0	38.0	0.0	6.0	87.0	$ 89,750.00
4	Strategic Infrastructure requirements	20.5	34.0	0.0	0.5	14.5	12.0	0.0	81.5	$ 83,725.00
5	Economic and Financial Studies	23.0	36.0	5.0	63.0	4.0	0.0	12.0	143.0	$ 138,150.00
6	Environmetal aspects of the NAIPN	9.0	3.0	0.0	0.0	0.0	27.0	0.0	39.0	$ 36,750.00
7	Implementation Plan	9.0	14.0	18.0	12.0	0.0	0.0	0.0	53.0	$ 53,000.00
8	Final Report	8.0	6.0	6.0	6.0	3.0	3.0	6.0	38.0	$ 38,250.00
	Total Staff Days	123.5	142	93.5	105	60.5	43	62.5		
	Rate per Day	$ 1,200.00	$ 1,000.00	$ 1,000.00	$ 850.00	$ 1,000.00	$ 850.00	$ 1,000.00		
	Total	$ 148,200.00	$ 142,000.00	$ 93,500.00	$ 89,250.00	$ 60,500.00	$ 36,550.00	$ 62,500.00		$ 632,500.00
TOTAL DIRECT LABOR										**$ 632,500.00**

TRAVEL COST					
1	International Air	35	Round Trips	$ 800.00 Per Trip	$ 28,000.00
2	Mexico Domestic Air	19	Round Trips	$ 350.00 Per Trip	$ 6,650.00
3	Car rental	30	Days	$ 70.00 Daily rate	$ 2,100.00
4	DBA Insurance	98	Day trips X $ 1000 USD (Avg Daily Direct Labor rate) X 1.44 / 100 Direct Labor		$ 1,411.20
5	Per Diem	98	Days	$ 225.00 Per Day	$ 22,050.00
TOTAL TRAVEL					**$ 60,211.20**

OTHER COSTS							
Site Material (Maps, copies, books etc)	25	LS (per site visit)	$	50.00		$	1,250.00
Communications	29	Days	$	10.00	Per Day	$	290.00
Translation/Interpretation	28	Days	$	100.00	Per Day	$	2,800.00
TOTAL OTHER						**$**	**4,340.00**
TOTAL DIRECT COSTS						**$**	**64,551.20**
TOTAL STUDY COSTS							**697,051.20**

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North American Inland Port Nertwork Project		BUDGET Annex III							
		Labor Costs							Total USD
Master Development Strategy (NAITCP-USTDA)		Project Manager	Facility Engineer	Attorney, Legal expertise	Market & Economic Analyst	System Engineer (IT Expert)	Environmental Engineer	Trade Specialist	
Item	Area of Study	$ 1,200.00	$ 1,000.00	$ 1,000.00	$ 850.00	$ 1,000.00	$ 850.00	$ 1,000.00	
1	**Regulatory and Legal Issues**	30.5	10	52	13	1	1	31	$ 142,500.00
2	**Security programs in Transportation**	7.5	20	7.5	7.5	0	0	7.5	$ 50,375.00
3	**Intelligent Transportation Systems**	16	19	5	3	38	0	6	$ 89,750.00
4	**Strategic Infrastructure requirements**	20.5	34	0	0.5	14.5	12	0	$ 83,725.00
5	**Economic and Financial Studies**	23	36	5	63	4	0	12	$ 138,150.00
6	**Environmetal aspects of the NAIPN**	9	3	0	0	0	27	0	$ 36,750.00
7	**Implementation Plan**	9	14	18	12	0	0	0	$ 53,000.00
8	**Final Report**	8	6	6	6	3	3	6	$ 38,250.00

Total Labor Cost $ 632,500.00

North American Inland Port Nertwork Project		BUDGET Annex III								
		TRAVEL COST					Other Costs			
Master Development Strategy (NAITCP-USTDA)		Int Air (round ticket)	Mex Domestic Air (round ticket)	Car rental (day)	DBA Insurance ($1.44 @ $100 DL) (trip Days)	Per Diem (Day)	Site Material (LS)	Communications (Day)	Translation/ Interpretation (Day)	**Total USD**
Item	**Area of Study**	$ 800.00	$ 350.00	$ 70.00	$ 12.00	$ -	$ 50.00	$ 10.00	$ 100.00	
1	**Regulatory and Legal Issues**	14	9	12	35	35	8	12	16	$ 25,689.00
2	**Security programs in Transportation**	0	0	0	0	0	0	0	0	$ -
3	**Intelligent Transportation Systems**	6	0	6	18	18	6	6	6	$ 10,489.20
4	**Strategic Infrastructure requirements**	10	10	10	40	40	10	10	5	$ 22,876.00
5	**Economic and Financial Studies**	0	0	0	0	0	0	0	0	$ -
6	**Environmetal aspects of the NAIPN**	0	0	0	0	0	0	0	0	$ -
7	**Implementation Plan**	0	0	0	0	0	0	0	0	$ -
8	**Final Report**	5	0	2	5	5	1	1	1	$ 5,497.00

Total Expenses $ 64,551.20

Total Phase I NAIPN PROJECT $ 697,051.20

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