

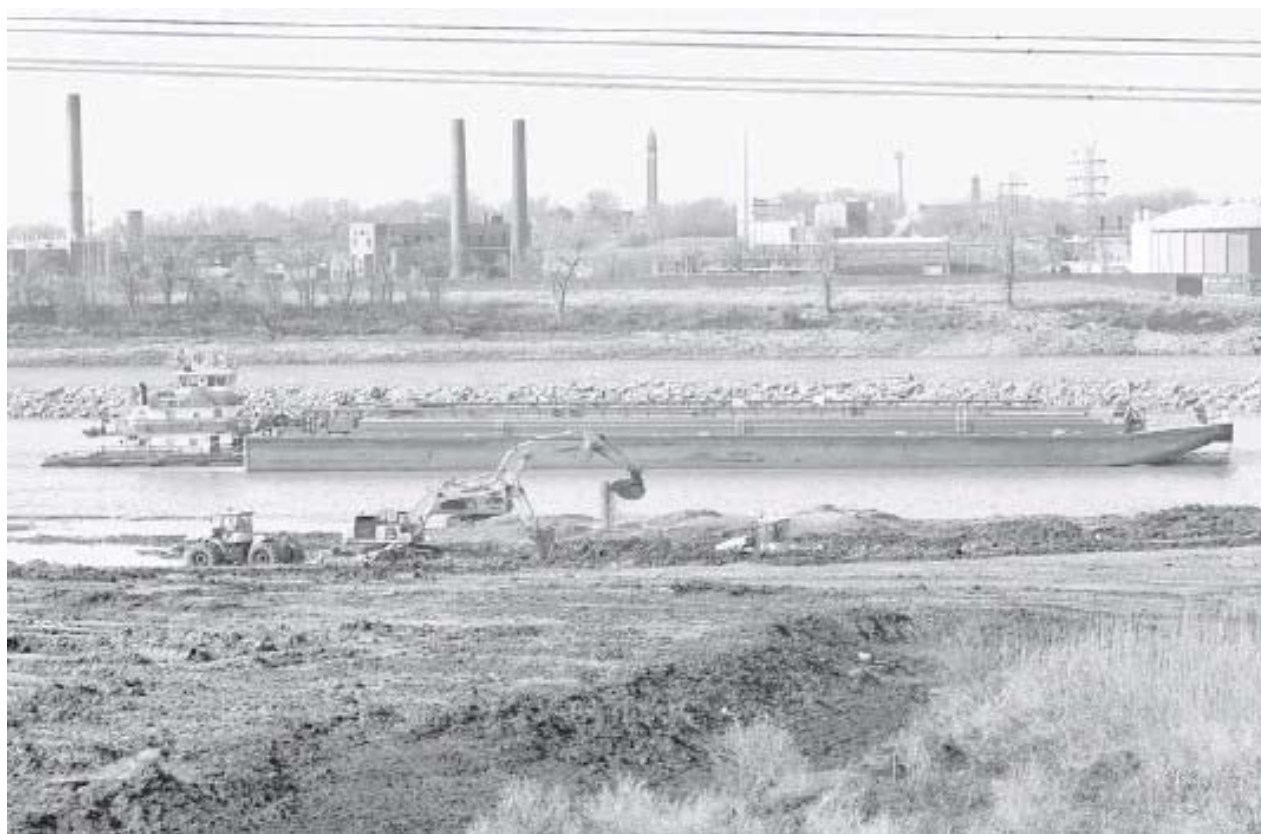
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RETURN TO GREATNESS

Major investments are being made at ports along the Mississippi River to reclaim the region's role as a major center of world commerce.

ST. LOUIS • Drive up North Broadway, with its wall of old brick warehouses. Pass Produce Row and the heaps of scrap metal at Grossman Steel. Continue beneath an abandoned railroad trestle that's being converted to an aerial bicycle path and bump over an iron track where the Burlington Northern Santa Fe runs daily. And you will get to where Otis Williams sees a land of opportunity.



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A towboat pushes a barge past yellow earth scrapers dredging out dirt on Friday for a second harbor south of the lock at America's Central Port in Granite City.

Across the river in Granite City, in a halfempty former Army base that has an ethanol plant in the corner and a steel mill up the street, Dennis Wilmsmeyer sees the same kind of potential. And 30 miles south in Herculaneum, Dan Govero sees the chance to bring jobs to a town that needs them badly.

From the city's industrial underbelly to the bluffs of Jefferson County, there are big plans afoot these days along the Mississippi River. Port officials such as Williams, Wilmsmeyer and Govero are pushing ahead with major investments. Several private companies are upgrading their docks, too. Studies are under way on how to better integrate the region's freight and logistics networks. And all of it is aimed at making the dirty, slow river into a bigger asset in today's just-in-time global economy, reconnecting the region to its very reason for being.

From a big expansion of the Panama Canal to worldwide demand for what's grown in America's breadbasket to a slow but steady reshoring of manufacturing from Asia back to the West, the contours of how goods move across the globe are shifting in ways that could make an old river town more central to the world's commerce once more. But it remains far from clear how much of that commerce

will move through St. Louis — barge traffic here was flat for a decade before bumping up in 2011. And even if it comes, the last few years of high and then low water have shown how the Mississippi can be an unreliable partner in commerce, raising questions about how much the big river will ever mean to St. Louis' economy again.

There was a time, of course, when the river meant everything.

From the French fur traders who founded the place in 1764 to the steamboats that lined the Landing in the 1850s, the Mississippi brought people, and riches, to St. Louis for a century and more. The river was the nation's central highway, and St. Louis its essential off-ramp. But then came the railroads, and trucking, and airplanes and the Internet and the shift from an economy based on westward expansion to one built around global expansion. And the Mississippi, walled off by all that industry along it, became easily forgotten. Still it chugs along. About 100 million tons of commodities float past St. Louis each year, mostly heading south toward the Gulf of Mexico. Roughly a third of that is on- or off-loaded in the 70-mile long Port of Metropolitan St. Louis, which stretches from Alton down to the southern edge of Jefferson County. At 36.5 million tons, St. Louis ranked as the nation's second-busiest inland port in 2011 and easily its most diverse, with food products comprising about one-third of traffic here, coal nearly another third and the rest a mishmash of goods from fertilizer to scrap metal to salt. In all, it's worth nearly \$10 billion.

"There are all these barges out there and most people hardly ever see them," said Wilmsmeyer, executive director of America's Central Port, in Madison County. "You know they exist, but it's very much a hidden industry."

The barge business got a lot of attention this winter, when low water south of St. Louis almost stopped it cold. The small community of barge operators and others who make their living on the river made a lot of noise, noting that an extended shutdown would slow \$7 billion worth of commodities and affect nearly 16,000 jobs from Minnesota to the Gulf of Mexico — nearly half of them in Missouri and Illinois.

The river never did shut down. A string of storms — coupled with dredging and blasting by the Army Corps of Engineers near Thebes, Ill. — kept the channel open, though barges had to run lighter loads for awhile. Still, the episode highlighted the fragility of the nation's industrial conveyor belt, and potential challenges that loom even as the region invests heavily in its ports.

CRUCIAL LINKS

Lately, the region has witnessed something of a port boom, with a number of projects under way.

Several private companies, including grain-shipper Bunge North America and Cahokia-based American Milling, have recently built or upgraded river terminals on the east banks of the Mississippi. Three public port expansion projects are under way, too.

The City of St. Louis is nearly done with a \$19.5 million upgrade of its Municipal River Terminal. The project, funded largely by a federal grant, will fill in 600 feet on the dock at the foot of North Market Street, and quicken loading times by allowing 10 or 11 barges to pull up at once. The 27-acre terminal is the only public port in the region on the Missouri side of the river, and upgrading it is a key piece of the city's much larger plans to redevelop some 3,000 acres of riverfront running from Cass Avenue nearly to the Chain of Rocks Bridge.

"We think there will be some real energy here," said Williams, deputy executive director of the St. Louis Development Corp.

There's already been a lot of development in the area. Williams keeps a map in his office of projects that broke ground in recent years, and he rattles them off: \$15 million to expand a cement company; \$20 million for a fertilizer firm. \$33 million for an electronics supplier, plus projects by big names such as Dow Chemical, Procter & Gamble and Mallinckrodt.

Some of these companies are in north St. Louis specifically because of the river, Williams said. Some use the rail lines that run along the riverfront. Either way, they highlight a central fact of the river trade. It's not just about the water.

The six major rail lines that converge in St. Louis are a huge asset to the region, people who work on port development here say. The trick lies in better connecting them to the river, and making sure that, say, shipments of oil bound from Alberta to New Orleans or soybeans from Kansas get taken off a train and put on a barge here instead of Chicago or Memphis or some other river town.

Those trans-shipment points are crucial links in the supply chain, said K.C. Conway, an economist and logistics expert at real estate brokerage Colliers International. Being one means a region has a chance to do more than just load barges; it can attract the companies that turn raw commodities into something more valuable. That means jobs.

"The supply chain is no longer going to move anything by one mode," Conway said. "If you think singularly about a river waterway or a port, you're going to miss the opportunity. You'll miss logistics. You'll miss manufacturing."

That's what Wilmsmeyer is trying to bring to America's Central Port — as the Tri-City Port District renamed itself in 2011. It's a 1,200-acre former Army base that's being redeveloped as a business park, lined through with railroad tracks and straddling the last lock and dam for barges headed southbound on the Mississippi.

The port is already among the busiest docks in the region, with about 3 million tons of cargo a year

moving through its north harbor. On a sunny day in January, a string of yellow earth scrapers were taking advantage of the low river to dredge out dirt for a second harbor south of the lock. Half of the \$30 million project was funded by a federal transportation grant, the rest by a mix of Illinois state funds and bonds issued by the port district. When it's done, Wilmsmeyer said, America's Central Port will be well-positioned to capture even more river trade, perhaps a 30 percent increase.

"This is an opportunity for us to start accessing other commodities and attracting new companies," he said. "We're always in discussions."

Tri-City is already home to some big companies, there in large part because of the river and the railroad tracks. Abengoa Bioenergy, for instance, brings in corn by truck and train for its ethanol plant there, then puts leftover dried grains on barges sent downriver for export to Europe as livestock feed. And while it's not in the port district, U.S. Steel's massive Granite City Works sits less than a mile away, and coils come both ways through the north dock.

Wilmsmeyer sees the river as a chance to attract more jobs, and to pull industry back into the center of the St. Louis region. With energy costs rising, he says, there's a strong case to be made for moving things by barge — like everyone else on the river he's quick to point out that one 15-barge tow can haul as many as 1,000 trucks. He envisions the river as an efficient industrial corridor, much as it used to be.

"There's a lot of development going on along the river right now and that's a good thing," he said. "It's all about pushing the river to be just as important to St. Louis as it was in the late 1800s."

'WORKING TOGETHER'

These days, a whole lot of people are working to push the river.

The St. Louis Regional Chamber is launching a campaign to boost the region's logistics industry. The East-West Gateway Council of Governments is midway through a study of freight needs, which will be done this summer. A few dozen economic development groups, ports and major shippers have formed a Port Working Group in recent months, to better coordinate efforts up and down the river. They're studying everything from the state of the region's two railroad bridges to truck access to and from docks to just how many port facilities the region really needs, what kind and where.

"It's something we need to do as a region, to step back and look at how the freight flows and understand where the bottlenecks are and how we can move things better," said Steve Johnson, executive vice president at the Chamber. "We're convinced we can do more with it."

The tricky question, as always, is at what price. Shipping is an extremely price-sensitive industry, and the people moving goods have a lot of options, be it barge vs. rail or St. Louis vs. Memphis.

If it costs \$150 million to upgrade the sometimes-crowded Merchants Bridge, and those costs are passed on to customers, there's really nothing to stop those customers from moving their goods through a different town. So any big investments in the region's freight network ought to be weighed carefully against what they will do to shipping costs, said Chris Brewer at consulting firm AECOM Economics, who's leading the EastWest Gateway study.

"Big retailers like Wal-Mart and Target, they're doing everything they can to squeeze costs out of their logistics systems," he said. "Improvements that add costs are a problem."

Then there's the question of how much St. Louis should spend on its ports, and if all this port-building might just breed competition among ourselves. While the various ports do market themselves individually, the Port Working Group is designed to get them all on the same page, and port executives up and down the Mississippi stress the river as a corridor to be developed, not a competitive arena.

"We're all working together," Wilmsmeyer said. "Customers will migrate to wherever makes sense."

Still, the river is just one leg of a much larger transportation system, every piece of which claims big capital needs from a limited pool of money. Investing headlong in ports may not make sense if it takes money from other needs, said Conway, whether industry clusters or other modes of transport.

"Do you put all your eggs in one basket when the supply chain is moving away from that mode?" he asked. "You've got to step back and look at the whole system."

But that doesn't mean there aren't plans out there for more port- building, even from scratch.

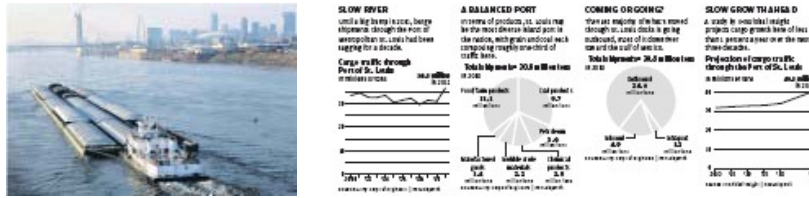
In Herculaneum, a big project is just getting off the ground that could eventually turn the site of the soon-to-close Doe Run lead smelter into a \$189 million port and 400-acre business park. Money is hard to come by, said Govero, chairman of the Jefferson County Port Authority, even for a feasibility study, let alone the \$25 million first phase. Project officials have made several pitches for funding in Jefferson City, with little luck so far. But they hope to get a fleeting permit and start making money for the Port Authority this summer, then grow from there.

The town, which today is lined with empty fenced-off houses, abandoned because of pollution, has a lot of assets for river trade, said Janice Luchan, the Port Authority's executive director. There's a Union Pacific rail line and a good harbor on the riverfront, and plenty of land to redevelop above the bluffs. It sits south of the busy St. Louis docks, but close enough to access industry there.

Indeed, Luchan points out, much of what's mined in Jefferson County quarries winds up on trucks heading north to St. Louis-area barge docks. A port closer to home would save a bundle in fuel. And if the trio of developers who've signed a deal to buy Doe Run succeed with their Riverview Commerce Park, Herculaneum could eventually be home to 2,000 new jobs.

"It's not something that's just going to pop up," Govero said. "But we could put several thousand

jobs here, and those are jobs we badly need."



That's the hope, anyway. If only the big river can provide, kind of like it used to.

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