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## BUSINESS COURIER

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# Is 'tsunami' of freight in our future?

Business Courier of Cincinnati - by [Dan Monk](#) Senior Staff Reporter

One year ago, David Martin was the only person talking about the need for a cargo-container shipping facility on the Cincinnati riverfront. Now, it seems, almost everybody wants one.

Martin has been trying for months to secure land on Cincinnati's western riverfront for port facility that could load up to 300 containers a day on barges heading to and from the Gulf Coast.

An East End company, **Cincinnati Barge and Rail Terminals**, is now pushing for a similar facility near downtown.

"Cincinnati stands poised for great growth in shipping," said a recent proposal from Cincinnati Barge to the **Port of Greater Cincinnati Development Authority**. The company wants to expand its crane capacity and establish container-on-barge capabilities on its 25-acre tract on Riverside Drive.

"The requested port upgrades can create a premier international gateway," said the proposal.

**The Ohio-Kentucky-Indiana Regional Council of Governments** is gearing up for a study on how Cincinnati can take advantage of a growth in freight that could flood the eastern United States after the expansion of the Panama Canal.

"I'm not sure what we envision now will be big enough," said Mark Policinski, OKI's executive director. "This tsunami of freight is coming. The more modes we have available that work together in an efficient network, the greater will be our competitive advantage over other regions."

Port Authority Chairman Otto Budig agreed. The Cincinnati philanthropist and president of the **Parsec Group**, a brokerage firm that ships cargo containers by rail, said Cincinnati needs to plan now for a port facility that can compete in the global economy decades from now.

"A river-to-rail port is Cincinnati's stake in the future," said Budig. "It's an idea whose time has come."

### Or has it?

"None of this stands up to any scrutiny," said Edward Hatfield, whose family owns one of Cincinnati's largest barge terminals, a 70-employee enterprise known as **Cincinnati Bulk Terminals**. The Hatfield empire dates back to 1882, but its future is threatened by David Martin's vision for a modern river port facility. That vision was first articulated in an August 2008 Business Courier story.

Martin is a Jeffersonville, Ohio, entrepreneur who sells specialty soybean products to Asian customers. He came to Cincinnati to find a low-cost way to ship those beans to China. When he locked up a site on Cincinnati's western riverfront, neighborhood groups balked at the idea. They said it would conflict with their plans to convert the western riverfront to condos and parks. A year later, the matter remains tied up in litigation. City Solicitor John Curp has proposed a settlement that involves canceling riverfront lease rights now held by Cincinnati Bulk Terminals and signing a new lease with Martin's company, Queensgate Terminals.

"It's just ridiculous to say you're going to put an existing business that's been there for 100 years out of business on a pipe dream," Hatfield said. "I really can't believe we're having these conversations."

Hatfield said his family will seek injunctive relief to prevent the city from canceling its lease. But he's also trying to convince anyone who'll listen that there is no need for the facility that Martin wants to build. He said Cincinnati Bulk Terminals already has the capacity to unload one to two container-filled barges each day. Such barges are rare in Cincinnati because they tend to be filled with higher-value merchandise and it's faster to ship such products by truck and rail to East and West Coast ports.

"The inland waterways are littered with public ports that are overbuilt and were never productive," Hatfield said. "Maybe some time in the future containers will come here. We'll be ready to handle them. That's the business we're in. But you don't build that kind of infrastructure based on what the market might do in the future."

Hatfield's lobbying has had an impact. Cincinnati Councilman Chris Bortz was expecting city council to pass his motion to open up discussions on a new container port to "any other interested parties." Bortz said it's "outrageous" for the city to put an existing barge terminal out of business, then subsidize its competitor's startup.

Experts say Panama Canal expansion and increasing highway congestion will be game-changers for container shipping, which peaked in 2007 when 45 million containers (known as TEUs for 20-foot equivalent units) arrived in U.S. ports. According to data from the



**American Association of Port Authorities**, Los Angeles and Long Beach handled 35 percent of the traffic during that peak year, while East Coast ports handled about 40 percent, the Gulf Coast, 8 percent. The recession reduced total volume by 5 percent in 2008, and Los Angeles is down 15 percent through 10 months of 2009.

#### Other areas readying

But major East Coast ports are planning billions of dollars in upgrades as the Panama Canal nears completion of a \$5 billion expansion in 2015. The expansion will more than double the size of the largest vessels that can now pass through the channel. Ships carrying up to 12,000 TEUs could bypass the West Coast for the Gulf and Atlantic coasts.

Among those bracing for the shift is Hampton Roads, Va., where the **U.S. Coast Guard** has approved plans for a \$2 billion expansion at the **Craney Island Marine Terminal**.

**The Norfolk Southern Railroad** is gearing up to handle that increased capacity with the Heartland Corridor project, a \$150 million joint venture with the **Federal Highway Administration**. It will cut a half-day and 200 miles out of its current route from Virginia to Chicago and raise tunnels and bridges so containers can be double-stacked on trains using the route.

**CSX Corp.** has a capacity-boosting project of its own, known as the National Gateway. It's an \$842 million system upgrade to which the railroad has committed \$393 million and for which it's seeking more than \$400 million in state and federal assistance. The Gateway would connect multiple East Coast ports to a new CSX hub near Toledo, which also would serve as a way for trains from CSX's Western networks to bypass the busy yards in Chicago. Cincinnati will get more regular and reliable train service to the East Coast and less need for long-distance truck service to quickly haul goods to and from Southwest Ohio.

"We estimate logistics cost savings in Ohio at \$100 million," said Carl Warren, director of strategic infrastructure for CSX. "It's simply by making intermodal available in a way it wasn't before."

Because it takes 15 days to reach the Gulf Coast from Cincinnati by barge, a river port is not likely to become a major player in container shipping, said Walter Kemmsies, chief economist for New York-based engineering firm **Moffat & Nichol**.

"If you're looking at products that have to be moved quickly, the river just doesn't compete," Kemmsies said. "If you're looking at shipping it as cheaply as possible, then bulk shipments on barge is the answer."

On the other hand, Kemmsies expects producers of specialty grain products to make greater use of container-on-barge services in the future because it offers lower shipping costs while protecting those higher-value commodities against wind and weather. It also gives shippers one more option if other modes are too costly.

Martin would focus on the specialty-soybean niche at Queensgate Terminals. He estimates the facility would handle more than 64,000 containers within five years of opening.

Even if the city settles the current dispute, OKI's Policinski is convinced the regional is not yet prepared for the looming "tsunami."

"We're not talking about a 10 percent increase in freight over the next 20 years," he said. "We're talking about doubling freight in 15 years. No one mode is going to be able to handle this efficiently."

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