

Harbor opens to barge traffic Despite spring high-water scare

Port Beacon:

Commercial shipping on the Mississippi virtually shut down in April because of high water and dangerously rapid currents. But Minnesota's leading authority on river commerce isn't worried – neither about the near future nor the far future.

Dick Lambert (**photo page 5, under Experts Forum**), whose grandfather helped convince lawmakers to build the extensive system of locks and dams in the 1930s that opened the Upper Mississippi to modern barge shipping, says spring flooding is one of the more predictable elements of life on the river.

He knows from experience. Col. George Lambert died before his grandson was born and never saw the completion of the 26 locks that created a nine-foot navigation channel between Saint Paul and St. Louis. But Dick Lambert did. His life on the Mississippi began as a college student in the late 1950s. He worked as a deck hand on a tow boat and continues today as the state's resident waterways expert.

"My cousin Jack, then general manager of Twin



City Barge & Towing, put me on a towboat as a deck hand," Lambert said. "And after I went back to school, I was the midnight-to 8 a.m. watchman on the harbor."

Although he went to college to become a foreign trade expert, he never wandered far from the Saint Paul Harbor. Over 30 years, he worked in and managed barge businesses, and for nearly 20 years more, he has served as the river transportation expert for the Minnesota Department of Transportation.

In early April, days before the Mississippi and Minnesota rivers

crested, Lambert spoke to a gathering at the Port Authority's headquarters about the "changing dynamics" of commerce on the Mississippi.

He has seen a decline in upriver coal shipping as high-sulfur coal was replaced by cleaner-burning coal from the west.

And he has seen a decline in downriver ship-

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Fear of failure is a bad reason for not trying To attract and keep businesses in Saint Paul

From the President



Louis Jambois

Recently, both the local and national media carried articles about publicly funded economic development programs or projects that have not lived up to the expectations of either the funding agency or the recipient businesses. As Minnesotans, we take particular pleasure in criticizing economic

development tools from local tax increment financing (TIF) to the state's Job Opportunity Building Zones (JOBZ). While local development organizations celebrate the many successes of these tools, local political forces (left and right), academic institutions, advocacy groups and, sometimes, the media focus on the failures. The conclusion that is often drawn by the detractors is that economic development tools don't work.

That is truly unfortunate, because it's just plain wrong. While we engage in intramural debate about economic development tools, other states, regions and nations are engaged in business recruitment. Many regions in this country including Austin, Dallas-Fort Worth, and Charlotte, have created economic development branding, marketing, retention and recruitment organizations. We have hosted national site selection firms – companies who specialize in helping businesses choose their next location for business expansions – and those firms tell us point-blank that the Twin Cities is not on any major company's radar screen. The reason? We, as a region, do not have a cohesive marketing/recruitment presence and we don't have a coherent marketing/recruitment message.

We are grateful to the Itasca Project for their leadership in the creation of a Twin Cities-based Regional Economic Development Partnership (REDP) organization. Itasca is made up of

executives from our region's largest businesses. The organization is financed primarily (70%) with private money. REDP will be the region's principal high level recruitment/retention organization and it will tell a great story about the many assets in the area including our highly educated and motivated workforce; our outstanding K-12 and higher education systems; our fabulous variety of cultural attractions from professional sports to world class arts; and the fact that we are home to many Fortune 500 companies.

We also know that economic development tools, often used as deal closers, must be part of the pitch. Our state, regional and global competitors all have them and we must too. Many economic development tool detractors offer simple solutions. One popular idea is to reduce business tax rates across the board. It sounds good, but let's look at it from the perspective of the Saint Paul Port Authority.

Where there is no vacant land, recycling tools such as the state's Contamination Cleanup Program and Metropolitan Council's Tax Base Revitalization Program are critical. How would lower tax rates clean up contaminated land and demolish obsolete buildings? History shows us that they don't. Tools that are targeted at hard to serve areas are extremely effective. Officials from both Baldinger Bakery and HealthEast Medical Transportation service were very clear when they told us that the use of New Market Tax Credits was the deal closer on their projects. The fact is all recent Port Authority projects used one or more of the economic development tools available to us.

We just heard that Lawson Software has been sold to a firm out of Georgia. Do we care if the new owners keep the business in downtown Saint Paul? Of course we do. Will lower business tax rates assure that the company stays? Maybe. But maybe they would prefer something else, and we need the tools that will close the deal.

Port lands \$14 million tax credit allocation

Businesses expanding in the Saint Paul Port Authority's service area this year have another funding option at their disposal. For the second time in two-and-a-half years, the U.S. Treasury Department allocated New Market Tax Credits (NMTC) to the Port to help stimulate economic and community development and job-creation activities.

The Port's \$14 million allocation is part of the \$3.5 billion that the Community Development Financial Institutions Fund (CDFI) allotted to 99 programs nationwide. The Port's \$15 million NMTC allocation in October 2008 was used by HealthEast Medical Transportation and Baldinger Bakery to finance their expansion into the Beacon Bluff Business Center.

"Partnering with the Port to take advantage of its federal NMTC allocation enabled us to relocate our ambulance/transportation facility," said Mike Nass, HealthEast Care System Chief Financial Officer. "This unique financing structure helped to make the relocation affordable in combination with utilizing property that the Port had available. Working with the Port and its resources has resulted in a spectacular final product for the benefit of the East Metro community."

The NMTC program is a federal economic development initiative, enacted by Congress in 2000, to encourage private investment in low-income communities. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over seven years.

Federal tax credits translate into attractive financing options for businesses and include the possibility of additional equity to the borrower at the end of the NMTC compliance period. Companies that locate or expand into targeted lower-income communities are eligible for NMTC loans.

"This allocation will enable the Port to further its job-creation mission throughout Saint Paul by



Port Photo by Tonya Bauer

HealthEast Medical Transportation was the beneficiary of \$6 million of the Port Authority's \$15 million 2008 New Market Tax Credit allocation. The company built and now operates out of a 46,000-square-foot building in Beacon Bluff.

making it easier for expansion-minded businesses to grow and prosper here," Port President Louis Jambois said.

The Port has issued 16 NMTC loans since 2005, working off its own allocation and that of the Community Reinvestment Fund, a Minneapolis-based Port investment partner.

To date, over \$20 billion of private-sector capital has been invested through the NMTC program into urban and rural communities throughout the country, the CDFI said.

This investment helped to create or retain hundreds of thousands of jobs and to provide low-income community residents with access to quality education, health care, job training, housing and critical retail services in their communities.

Waterborne transport of commodities

Efficient and environmentally friendly



Chuck Derscheid

One of the attributes that makes Saint Paul so unique is its harbor and how it functions. The Saint Paul Harbor is a point of destination for line boat operators bringing loaded barges up river. We regularly see barges containing salt, cement, coal, aggregates and other products

entering this market parked along the Warner Road fleeting areas.

Why the Warner Road fleeting areas? Because this is where the river narrows and uses its current to naturally scour the outer bank of the bend in the river. The deeper water is perfect for parking heavy barges with deep draft. This deep-water scouring action also occurs in areas along our Barge Terminals #1 and #2, creating near perfect conditions for loading and delivery of heavily laden barges and dry dock activities.

Since most line boats tie up their 15-barge tows in the Warner Road bend in the river, this area is the center for “break-bulk” activity. Here barges are individually separated out for final delivery to terminals within the metro area. Think of the Saint Paul Harbor as the “Atlanta-Hartsfield hub” for metro area terminals along the Mississippi and Minnesota Rivers and you get the idea.

Barges delivered to the Warner Road fleeting area may be destined for customers up the Minnesota River like US Salt in Burnsville or the terminals in Savage. Other barges may be delivered to Minneapolis, and still others down river to our Barge Terminal #1, Southport and Red Rock terminals. Some are even destined for terminal areas in South Saint Paul. This break-bulk work of separating barges for final delivery, cleaning empty barges for reuse, repair, and re-assembly of loaded barges into tows, is provided by our harbor operator, Upper River Services, Inc.

The Saint Paul Harbor is a hub serving as a barge-distribution point for other services as well. These operations include dry docks, boat repairs, fueling, heavy lift crane sites, marine construction and low-dockwall access for contractors. This is quite a range of activities for an inland port.

Waterborne transport of bulk commodities happens to be the most efficient way to get products from Midwest producers to the global market place. In fact, a Texas Department of Transportation study found waterborne shipping by barge is more fuel-efficient and produces less greenhouse gases than truck or rail.

But let’s not overlook the economic advantage of sheer volume. One 15-barge “tow” has a commodity capacity of 216 railcars or 1,050 semitrailers. Put another way, it takes only one towboat to push the same load that it takes six locomotives to move or 1,050 trucks to move. A single barge tow equals a full lane of trucks on the highway extending 33 miles long winding its way through the metro area. You can imagine the traffic tie-ups throughout the metro Interstate system!

When empty barges are delivered to the terminals, they are filled with Midwest products such as grain, metals for recycling, petroleum coke and potash. Loaded barges are collected from all over the metro area for assembly into 15-barge “tows” back at the Warner Road fleeting areas. These tows are headed down river, perhaps toward the Ohio River or the Gulf of Mexico and global markets. It’s the diversity of these goods and services along with the geography of land and river coming together that helps fuel our Midwest economy. Saint Paul’s Harbor is unique and its role as a hub for waterborne transportation is fundamentally strategic to our entire regional transportation system.

Thanks to everyone that has made the Saint Paul Harbor the gem that it is.

Happy Spring!

Human Service and Transportation experts Keynote monthly Port Authority forums



Port Photos by Tonya Bauer

Three statewide experts shared their insights into how to provide better service to their customers. **Thomas Sorel**, (left) commissioner of the Minnesota Department of Transportation (MNDOT), is remaking his department to better serve the department's various constituencies. **Maykao Y. Hang**, the new president of the Amherst

Wilder Foundation, shared her experience as a Hmong refugee from Laos to show how committed human services are essential to helping people adjust to a new culture. And **Richard Lambert**, of MNDOT's Ports and Waterways Section, provided insight into this year's flooding impact on river-shipping activities.

River-shippers return to work after crest

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ments of corn, largely because of the emerging ethanol industry. But is river shipping a dying business?

"That will never happen," Lambert said.

Some of the reasons: The continuing saturation of truck and rail freight; a predicted surge in the state's population that will drive an increase in shipped freight; and the completed expansion of the Panama Canal in 2014 that will benefit the shipping industry on the Mississippi.

But most important, Lambert said, is the fact that the cheapest way to move bulk products is by water. It's also environmentally friendly and doesn't

disrupt the senses the way other modes of transit do. A gallon of fuel, he said, can move a ton of freight 675 miles by water, compared to 430 miles by rail or 155 miles by truck.

"Efficiency in fuel consumption has a long way to go to change that," Lambert said.

And as for this spring's floods?

"Flooding normally lasts two or three weeks and generally doesn't impact the barge business," he said, adding: "Shippers and barge operators know this and plan accordingly. The river may be unpredictable but those who work on it have learned to live with it."

The New Normal: Navigating the Aftermath of the Great Recession

The Great Recession officially ended in June 2009, according to the National Bureau of Economic Research (NBER). It distinguished itself not only in terms of length but also in its severity. And its contraction brought the level of output back to 2006 levels. More to the point, the recession knocked out an entire decade-worth of job growth.

With every economic downturn there is an upswing of varying degrees. But this “Great Recession” has not spawned a “Great Recovery.” Growth is uneven. Uncertainty remains high. Businesses are beginning to invest but they were just as likely to pull back when the European economy started trembling. Consumers unquestionably opened their wallets over the holidays, but more continue to pay down debt and stockpile their retirement accounts than buy a new car.

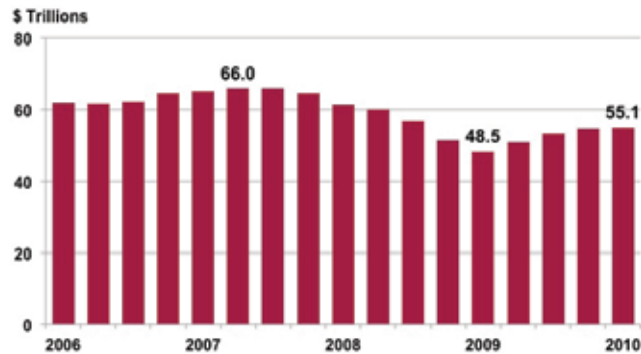
Manufacturing

If there is a leader in this atmosphere of fits and starts, it is the manufacturing sector. Manufacturers are leading us out of the recession, by automating, increasing productivity and overtime – hoping to avoid as long as possible the increased commitment and cost of hiring new employees.

This cycle is showing itself to be “curiouser and curiouser.” Recovery is incremental and protracted. Unemployment stubbornly remains high. Economists continue to be cautious because substantial risk remains – particularly in the form of excessive government debt.

This uncertainty manifests itself in a pervasive sense of social angst, you know, the

Household Net Worth Fell by More Than \$17 Trillion Dollars



Minnesota Management and Budget Office, 2011

sense of disquiet, apprehension, and general mistrust that is rumbling through conversations at work, at the baseball game, over a game of golf.

We are searching for traditional indicators of recovery. Specifically, we want to see job numbers return to pre-2007 levels. We want to see more new

construction. We want to feel certain enough to invest in new equipment or expand our buildings. We want to see housing prices come back so we can sell and buy up or cash out or even retire someplace warm.

The Great Recession – and all its nuances – has been blamed for raising the level of social dissatisfaction. But the harsh reality this time is that we had better get comfortable right here. We never are going back to the way things were; to “the good old days” of pre-2007.

We have entered a “new normal.”

Global Economics: Power Shift

Mohamed El-Erian, the CEO economist at Pimco and former manager of assets at Harvard University, describes the new normal as “a recognition that the western world is not going to grow as rapidly as before. Unemployment will be a persistent issue. Social safety nets will be stretched. Government intervention will continue in the economy.”

Global power shifts rarely happen and are even less often pain free. As Asia continues to rise, with growing economic power translating into political and military strength, the United States and other developed countries must adapt – or be left behind.

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Manufacturers lead Race toward Recovery

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To some degree the changing economic landscape is akin to economic laws of gravity, says Lowell Bryan of McKinsey & Company, a New York-based international business consulting firm. Less developed nations should grow more rapidly than their counterparts.

The challenge, it seems, is to allow for the transition to a global economy, with its accompanying improved trade balance, capital flows and consumption, while preparing for potential transitional pain.

Worthy of note is concern about the health of the U.S. economy. Global economists strongly caution the U.S. to be mindful specifically of lessons learned by Japan through its “lost decade.” Surely their modern economic success story-turned downward spiral should provide a note of serious caution to us.

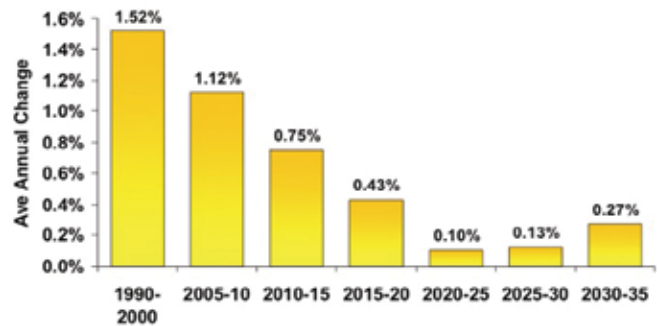
Demographic Changes

Tom Stinson, Minnesota’s state economist, believes our experience with the new normal fundamentally is demographic. “There are a lot of facets to the new normal story,” he says, “but I think the key is that we (the population of Minnesota, the U.S., and even much of the rest of the world) are getting older. This aging of the population is a major force driving us to a new normal.”

The Great Recession helped move us there more quickly, and created a different set of disruptions, Stinson says, but the demographics are pretty compelling. This year, the number of Minnesota workers turning age 65 is expected to increase by about 30 percent from 2010. And the number turning age 65 continues to grow.

At the same time, the number of Minnesotans entering the work force declines, putting additional pressure on the supply of workers. Figuring out how to operate in this new demographic environment will be challenging, and those who figure it out successfully will have a big head start on their competitors over the next

Labor Force Growth Is About To Slow Sharply



Minnesota Management and Budget Office, 2011

couple of decades.

Where do we go from here? Pundits abound on both sides of the economic recovery fence. What we do know is that, for the most part, the last two years have been tough for industry, and the future is being shaped by a variety of forces like global competition, changing demographics, and disruptive technologies.

Opportunity abounds in this new space for the transformation-minded leader. It starts first with a deep understanding of the business environment. Companies then must be intentional about continual redesign to fit a changing marketplace.

No matter our preferences, we have moved into this new normal. It behooves us to recognize it. In the face of significant ongoing uncertainty, the next few years will be critical to Minnesota’s future. What we do know for sure – no normal is ever permanent.



Brenda Kyle, the Port's Vice President of Business Development, wrote this story

The Saint Paul Port Authority creates quality job opportunities, expands the tax base and advances sustainable development

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