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FINAL REPORT OF THE SENATE STUDY COMMITTEE ON
INCREASING CARGO CAPACITY AT GEORGIA PORTS
2007

The Honorable Joseph Carter
Chairman
State Senator, District 13

The Honorable Ronnie Chance
State Senator, District 16

The Honorable Jeff Chapman
State Senator, District 3

The Honorable George Hooks
State Senator, District 14

The Honorable Eric Johnson
President Pro Tempore
State Senator, District 1

The Honorable Michael Meyer von Bremen
State Senator, District 12

The Honorable Jeff Mullis
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Prepared by the Senate Research Office

TABLE OF CONTENTS

Executive Summary.....3

I. Introduction.....4

II. Background Information.....5

A. Cordele Inland Port Feasibility Study.....5

B. The Georgia Ports Authority.....7

III. Testimony..... 8

A. Georgia Tech – Enterprise Innovation Institute..... 8

B. Heart of Georgia Railroad.....8

C. Georgia Ports Authority.....9

D. Georgia Motor Trucking Association..... 9

E. Cordele/Crisp County Industrial Development Council.....9

IV. Committee Findings10

V. Committee Recommendations.....10

EXECUTIVE SUMMARY

In 2003, the Cordele/Crisp Industrial Development Council engaged the Enterprise Innovation Institute at Georgia Tech to study the feasibility of an inland port in Cordele, Georgia. The report was originally released in 2004, and subsequently updated in January 2007 to reflect the impact of the rising cost of fuel in the cost analysis section. Additionally, an addendum to the 2007 report was published in December 2007, which includes data compiled in conjunction with the Georgia Ports Authority. This additional data was requested by members of the Senate Study Committee on Increasing Cargo Capacity at Georgia Ports (Committee) at their October 2007 meeting, and it included specific information regarding the number of containers exported and imported in the area targeted by the feasibility study.

The Port of Savannah is the country's fastest growing major port for the second year in a row.¹ Containers moving out of the Port of Savannah to other points in Georgia are either trucked to their destination or shipped via rail to an intermodal terminal in the Austell/Atlanta area, then trucked to their final destination. Both CSX and Norfolk Southern operate the terminals in the Atlanta area. Areas west of Cordele generally transport containers by truck.

The study looked at the benefits of an inland port in Cordele because of its proximity to the state-owned Heart of Georgia Railroad which runs in conjunction with the Georgia Central rail line from Cordele to Savannah. Additionally, Cordele is situated in close proximity to Interstate 75 and Georgia Route 300. It is reasonable to assume that potential customers lie in the southwest geographic area of the state, in certain southeastern counties of Alabama, and some counties in the panhandle of Florida.

The feasibility study showed that transportation costs for moving containers via rail to Cordele, then transported to their final destination in the areas targeted, would be more cost effective for customers than the current transportation options of moving the containers via truck from the Port of Savannah to the targeted region, or transporting the containers by rail to the Austell/Atlanta region, then via truck to their final destination in the targeted areas.

In addition to testimony given that reviewed the Cordele Inland Port Feasibility Study, the Committee heard testimony from the Cordele/Crisp Industrial Development Commission, representatives from the Heart of Georgia Railroad, the Georgia Motor Trucking Association, and the Georgia Ports Authority.

In conclusion, the Committee found that the Cordele Inland Port is a feasible and viable option for:

- ▶ Moving freight from the Port of Savannah to its final destination in certain geographic areas of the state, and possibly regions in Alabama and Florida;
- ▶ Increasing efficiency in the state's transportation system by relieving congestion in the Port of Savannah area and the Austell/Atlanta area;
- ▶ Increasing the Port of Savannah's competitiveness with the Port of Mobile for customers in the southwest Georgia and southeast Alabama geographic area; and,
- ▶ Increasing economic development activities in the Cordele area as industries would likely locate in the region to take advantage of the rail access to the Port of Savannah, close proximity to Interstate 75, and the convenience of being in a less congested area.

¹ See Gateway to American Commerce, Georgia Ports Authority Annual Report Fiscal Year 2007.

I. Introduction

The Senate Study Committee on Increasing Cargo Capacity at Georgia Ports was created by Senate Resolution 480, which passed during the 2007 Legislative Session. Recognizing the significant economic impact of Georgia's ports on the economy state-wide, the Committee was charged with undertaking a study of increasing the cargo capacity at Georgia's ports by taking cargo containers off ships and loading them onto rail transportation destined for an off-loading area. Additionally, after undertaking such study, the Committee was authorized to make a report of its findings, including any recommendations with suggestions for proposed legislation.

As provided in Senate Resolution 480, the Lieutenant Governor appointed seven members to the Committee and designated Senator Joseph Carter as the Committee's Chairperson. The remaining members included: Senator Ronnie Chance; Senator Jeff Chapman; Senator George Hooks; Senator Eric Johnson, President Pro Tempore; Senator Michael Meyer von Bremen, and Senator Jeff Mullis. The Committee held one meeting on October 30th, 2007, at Lake Blackshear Resort in Cordele, Georgia.

The Committee heard testimony from the following individuals and organizations: Mr. Bruce Drennan, Executive Director, Cordele/Crisp County Industrial Development Council; Dr. Robert Lann, Georgia Institute of Technology; Dr. Bill Riall, Georgia Institute of Technology; Mr. Brad Lafavers, Heart of Georgia Railroad; Mr. Jamie McCurry, Georgia Ports Authority; and Mr. Ed Crowel, Georgia Motor Trucking Association.

II. Background Information

A. Cordele Inland Port Feasibility Study

The Cordele/Crisp Industrial Development Council enlisted the Enterprise Innovation Institute and the Logistics Institute of the Georgia Institute of Technology to prepare a study on the feasibility of an intermodal facility (also referred to as an inland port), in Cordele, Georgia at the Cordele/Crisp County Cedar Creek Corporate Park. Distinctively, the approximately 400-acre park is bordered by the Heart of Georgia Railroad, which runs between Savannah and Cordele.

The feasibility study looked at the transportation costs to move the typical 40-foot and 20-foot containers to and from 68 cities in Georgia, generally in the southwest area of the state. A subset of these cities included: Moultrie, Camilla, Albany, Americus, Fort Valley, and Tifton. The study also looked at Tallahassee, Florida, and Montgomery and Dothan Alabama. The study showed significant cost savings for current and potential customers of the Port of Savannah located in most of the cities examined.

The four areas of focus in the study are: (1) a cost analysis, which compared transportation costs to determine if the Cordele Inland Port (CIP) offered cost savings to potential customers; (2) a review of the market area to identify the companies that exist in the region; (3) a review of other inland ports with similar characteristics; and, (4) a review of the benefits the CIP would bring to the Port of Savannah.

(1) The cost analysis compared current transportation options with the cost of using the CIP to determine if the CIP offered any cost savings to customers and potential customers using the Port of Savannah. Currently, containers are either moved from the Savannah Port via rail (class I rail, CSX or NS) to Austell, Georgia then via truck to the container's final destination; or truck drayage² from the Port of Savannah to a container's final destination. Although most containers' final destination is in Georgia, there are a significant number of containers that are destined for Alabama and Florida.

Because the cost of moving containers via truck is varied based on the type of container and the distance the container must be moved, the cost analysis was performed using a low-market rate and a high-market rate. However, even using the high-market rate, cost savings were still significant for customers in the southwestern area of the state. Cities closer to Austell, where containers are now shipped then moved via truck to their final destination did not show a cost savings.

(2) The review of the market area showed a wide range of industry types. Larger firms were the focus, mainly because it was assumed that small firms are not as likely to ship or receive many containers. Industries in the region include: food manufacturing or the processing of poultry; wood product manufacturing; chemicals; and furniture wholesaling. Although not every firm in the target region of the state was contacted for the study, a cross section of firms in the area was contacted to get a sense of whether they would be interested in the CIP. Most indicated, as one would presume, that they would be interested in using the CIP if it meant a cost savings for their container transportation costs.

(3) The review of other inland ports with similar characteristics as those of the CIP included: the Virginia Inland Port (VIP); the Butte, Montana Inland Port; and the Pasco, Washington Inland

² Drayage technically means a trucking company's freight charge for the pick up or delivery of an ocean container.

Port. Of these, the VIP was chosen because of its similarities to the CIP, as the port for comparison.

Research by the Virginia Ports Authority on an inland port began in 1984. The VIP opened in 1989 and although it was not conceived for economic development purposes, the VIP has brought numerous businesses into the area seeking to use the VIP as an access point to the Port of Virginia.

(4) The review of possible benefits the CIP could bring to the Port of Savannah showed positive findings in two areas: it would allow the port to expand its throughput of containers without increasing truck congestion at the port facility; and the CIP could be used as an empty-container storage and container-matching facility. Data on empty containers moving through the port shows that roughly 1,000 empty containers come into the port and 1,000 empty containers leave the port each day.

The proposed 400-acre CIP could provide storage capacity for as much as 17,000 TEU (20-foot equivalent) containers. Additionally, container storage at the CIP would benefit shippers in the areas because they could use and return the empty containers to the CIP yard at a much lower drayage cost.

Addendum to the CIP Feasibility Study

An addendum to the final CIP Feasibility Study was published in December of 2007 after the Committee held its meeting and requested additional information. The addendum included more information on the current demand for container services in the southwest region of the state, a few southeastern counties in Alabama, and various counties in the Florida panhandle. Firms located in these areas could cost-effectively ship containers through the Port of Savannah.

The number of containers shipped by firms (import and export) from the selected counties in Georgia, Alabama, and Florida showed that although the firms used the Port of Savannah frequently, they also used other ports to a large degree as well. The following numbers suggest an even larger potential market for the CIP than reflected in the original report.³

Select Georgia Counties (September 2006 through August 2007)

- ▶ 6,082 TEUs were exported through the Port of Savannah.
- ▶ 3,639 TEUs were exported through other ports.
- ▶ 8,827 TEUs were imported through the Port of Savannah.
- ▶ 14,862 TEUs were imported through other ports.

Select Alabama Counties

- ▶ 16,163 TEUs were exported through the Port of Savannah.
- ▶ 19,312 TEUs were exported through other ports.
- ▶ 6,777 TEUs were imported through the Port of Savannah.
- ▶ 40,447 TEUs were imported through other ports.

Select Florida Counties

- ▶ 198 TEUs were exported through the Port of Savannah.
- ▶ 3,040 TEUs were exported through other ports.

³ Cordele Inland Port Feasibility, December 21, 2007. Georgia Tech Enterprise Innovation Institute.

- ▶ 1,073 TEUs were imported through the Port of Savannah.
- ▶ 3,431 TEUs were imported through other ports.

B. The Georgia Ports Authority

The Georgia Ports Authority (GPA) successfully manages the Ports of Savannah and Brunswick; and two inland ports, the Ports of Bainbridge and Columbus. The GPA clearly has set the goal for our Ports to be leaders in the world of global trade, and the Port of Savannah is the nation's fastest growing port.

The Port of Savannah includes the Garden City Terminal and the Ocean Terminal. It is the second highest volume container facility on the east coast, and fourth in the nation. The Savannah Port handled 2.338 million TEUs (twenty-foot equivalent units) in 2007, a 14 percent increase over 2006. A typical vessel handled through the Savannah Port today carries 10,000 TEUs. However, the GPA has been working to increase the depth of the Savannah Port to 48 feet, ultimately allowing the Port to accommodate a new class of container ship capable of carrying twice the amount of cargo as those currently using the port.

The Port of Brunswick includes: the Colonel's Island terminal RoRo facility; the Mayor's Point terminal; the Colonel's Island Agri-bulk facility; and the Marine Port terminal. The terminals that make up the Port of Brunswick have also seen a dramatic increase in the cargo they handle, such as cars, grains, and other agri-products.

Georgia's Inland Ports include: (1) Port Bainbridge, which is a 107-acre facility located on the Apalachicola-Chattahoochee-Flint Waterway, or Tri-Rivers System. It is equipped to handle a variety of bulk cargoes via barge traffic. The typical cargo includes: nitrogen solution, gypsum, ammonium sulfate, urea, cottonseed, and cypress bark mulch. It is located conveniently near two interstates and Class I rail service is provided by CSX. (2) Port Columbus is leased to a private terminal operator, S.T. Services. This Port is also located on Chattahoochee River with convenient access to the U.S. Gulf via the Tri-Rivers System (Apalachicola-Chattahoochee-Flint Waterway). It handles a variety of liquid bulk cargo via barge traffic.

Georgia's Ports play a significant role in our state's economy by providing:

- ▶ 286,476 full and part-time jobs, 7 percent of Georgia's total employment;
- ▶ \$55.8 billion in sales, 8 percent of Georgia's total sales;
- ▶ \$24.8 billion in gross state product, 6 percent of Georgia's total GSP;
- ▶ \$14.9 billion in income, 5 percent of Georgia's total personal income;
- ▶ \$3.5 billion in federal taxes;
- ▶ \$1.6 billion in state taxes; and
- ▶ \$1.2 billion in local taxes.⁴

⁴ *The Economic Impact of Georgia's Deepwater Ports on Georgia's Economy*, 2007. Georgia Ports Authority.

III. Testimony

A. Georgia Tech – Enterprise Innovation Institute

The Committee heard testimony from Mr. Robert Lann and Mr. Bill Riall regarding Georgia Tech's Cordele Inland Port Feasibility study. Originally, the report was done in 2003; however, Mr. Bruce Drennan with the Cordele/Crisp County Industrial Development Council asked for an updated report that would reflect higher fuel prices. The report reflects container transportation cost comparisons for low-market and high-market rates for those counties/cities considered.

For the cost analysis, there had to be a comparison of the current situation to the proposed CIP. Currently, containers are transported by rail from the Port of Savannah to Austell, Georgia, then truck drayage to their final destinations, or truck drayage from the Port of Savannah to their final destinations. With the CIP, containers would be moved by the Heart of Georgia Railroad from the Port of Savannah to the CIP, then truck drayage to their final destinations.

The cost analysis looked at both 40-foot containers and 20-foot containers. The transportation rail costs for a 40-foot container traveling from the Port of Savannah to Austell is \$620. Truck drayage costs from Austell to the container's final destination was evaluated using a lower market rate and higher market rate for such drayage. Additionally, the cost analysis looked at lower-bound areas of the state instead of upper-bound areas. Those counties in the southwestern area of the state showed possible cost savings for potential customers.

Finally, the presenters were asked by the Committee if they had considered other areas of the state for an inland port, and whether they had compared the cost of shipping through those ports that are direct competition, such as the Port of Jacksonville and the Port of Mobile.

In response, the presenters explained that what makes Cordele unique is the Heart of Georgia Railroad. Placing an Inland Port in another area, conceivably along Interstate 16, would require cooperation with CSX Railroad. The Heart of Georgia Railroad is unique in that it is owned by the state, the rail lines run from Savannah to Cordele and they are adjacent to the Cordele/Crisp County Cedar Creek Corporate Park.

B. Heart of Georgia Railroad

Mr. Brad Lafevers, President of the Heart of Georgia (HOG) Railroad Company testified to the Committee that the CIP would create a triangle with the Port of Savannah, Atlanta/Austell, and Cordele. It does not take away from Atlanta/Austell business. Georgia is growing rapidly and taking traffic congestion away from the Port of Savannah and the Austell/Atlanta areas is a positive move.

Georgia acquired the HOG rail lines in 1999 and the state's mission has been to protect the rail lines. In the year 2000, the HOG began moving some freight and registered about 2,500 rail cars per year. Currently, the HOG is moving about 10,000 rail cars per year and the business is growing. The CIP would be unique is because the state owns the HOG short line railroad that goes into Savannah.

Many of the businesses in the targeted area currently have to go to Savannah to get empty containers for shipping. CIP could store empty containers and save customers the drayage cost of going into Savannah for an empty container. Moving the container storage area 180 miles

west of the Port of the Savannah to Cordele will encourage economic growth – already there have been talks with Cabela's, which is one of the nation's foremost mail order outdoor outfitter stores with retail locations nationwide.

Finally, the HOG is a state-owned asset, purchased for this type of opportunity. It will help with congestion around the Port of Savannah and the Austell/Atlanta areas and bring economic development opportunities to a region of the state that needs it. The cost-savings reflected in the feasibility study will only grow because no one believes that the price of crude oil will decline.

C. Georgia Ports Authority

Mr. Jamie McCurry, General Manager, External Affairs for the Georgia Ports Authority (GPA), also addressed the Committee. The GPA sees benefit in the CIP because it would allow the Port of Savannah to compete with the Port of Mobile by expanding the customer base in Southwest Georgia, Southeast Alabama, and possibly some areas in Florida. Additionally, providing empty container storage would decrease truck traffic around the Port.

The Port of Savannah is the second busiest port on the east coast. Congestion around the port is significant; however, once inside the port, there is plenty of capacity. The CIP could relieve congestion in Savannah and the Austell/Atlanta areas; however, only if customers use it.

Questions asked by the Committee of Mr. McCurry included how to obtain information regarding containers: where they are coming from and going; and what is being shipped in the targeted areas. Mr. McCurry explained that such information is proprietary; only the names of the owners of the containers can be disclosed.

D. Georgia Motor Trucking Association

Mr. Edward Crowel with the Georgia Motor Trucking Association testified to the Committee that overall freight volume estimates show that freight volume will double by 2020 or 2025. This growth is all container traffic. Georgia's infrastructure is limited and the CIP is one way to plan for the expected growth. However, Mr. Crowell explained that the CIP would not really alleviate congestion in Savannah or Austell/Atlanta; it would only create congestion in the Cordele area because of the expected growth in container traffic.

Additionally, Mr. Crowell explained that the Interstate 75 corridor is the most heavily traveled truck traffic for north/south bound traffic. Finally, even though a local trucking base is not really existent around Cordele – it would grow to meet the demand of the CIP. Additionally, Mr. Crowell testified that although costs in the feasibility study show that rail is more cost effective, the trucking industry will be competitive.

E. Cordele/Crisp County Industrial Development Council

Mr. Bruce Drennan, Executive Director, Cordele/Crisp County Industrial Development Council addressed the Committee in closing. The CIP is uniquely situated with access to Interstate 75 for north/south bound traffic and Georgia Highway 300. The industrial park borders the HOG, and more land, above the 400 acres, is available for future need. The area of the CIP is a

Federal Empowerment Zone, which is attractive to companies such as Cabela's for the job tax credit program.

The CIP will cost approximately \$4.7 million in phase one of its development, and most of the funding will be available through a series of grants. There is an approximate lack of funds for the CIP amounting to an estimated \$495,523.

Finally, this area contains some of the world's largest cotton producers and they could easily ship over one million bales of cotton from the CIP. Cotton producers would then get a bill of lading when loaded at the CIP instead of waiting until it is loaded in Savannah; this is important because that is when the producers get paid.

IV. Committee Findings

The Committee finds, based on the Cordele Inland Port Feasibility Study and its subsequent addendum, and the testimony presented to the Committee at its October meeting, that the CIP is an extremely viable proposition for:

- ▶ Moving freight from the Port of Savannah to final destinations in certain geographic areas;
- ▶ Increasing efficiency in the state's transportation system and optimizing the use of existing infrastructure;
- ▶ Accommodating truck/traffic that is projected for the Savannah and Austell/Atlanta areas;
- ▶ Increasing the Port of Savannah's competitiveness with the Port of Mobile for customers in the Southwest Georgia and Southeast Alabama geographic areas; and,
- ▶ Increasing economic development activities in the Cordele area as industries would likely locate in the area to take advantage of the rail access to the Port of Savannah in a less congested area.

V. Committee Recommendations

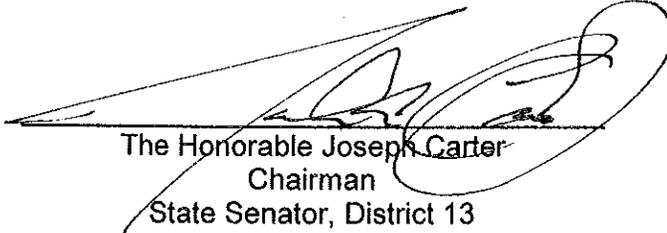
The Committee recommends that the Department of Transportation and the Georgia Department of Economic Development collaborate to further investigate the benefits and potential challenges to the creation of an inland port located in Cordele, Georgia.

The Department of Transportation is urged to study the expansion of the Savannah Port by utilizing the CIP; and the subsequent benefit of accommodating projected traffic growth in Savannah and the Austell/Atlanta areas. Suggested considerations include the ability of the CIP to more effectively utilize existing infrastructure and how the CIP might improve connectivity for freight flow.

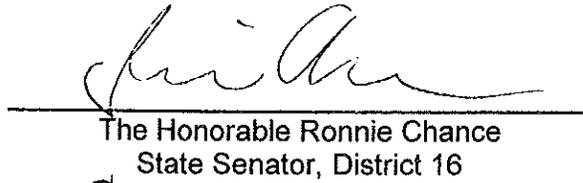
The Georgia Department of Economic Development is urged to study the economic impact the CIP would have on the targeted geographic area of the state; including current and potential customers of the Port of Savannah. Suggested considerations include the ability of the CIP to support and grow Georgia's logistics industry.

Respectfully Submitted,

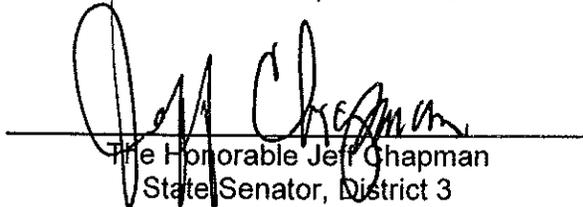
MEMBERS OF THE SENATE STUDY COMMITTEE ON
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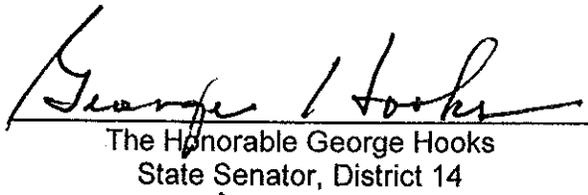
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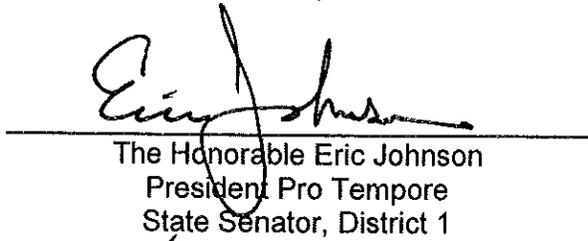
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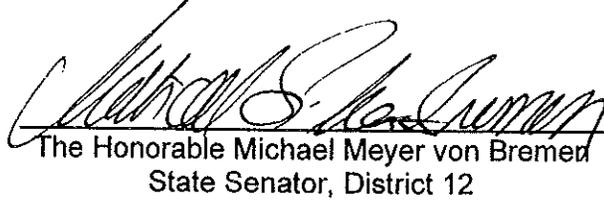
The Honorable Jeff Chapman
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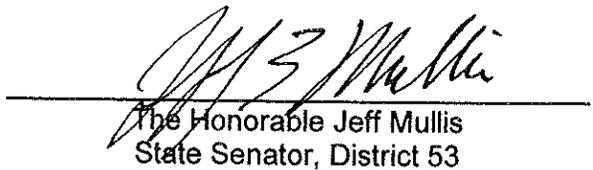
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