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50 years, 50 feet at Baltimore

With eyes on the Panama Canal, Ports America will expand Seagirt terminal under a long-term lease

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Baltimore is getting ready for a bigger Panama Canal. The port will lease its main container terminal for 50 years to a private operator that will expand the terminal to handle the larger ships that will transit the canal after 2014.

The deal announced this month with Ports America, which still must be approved by lawmakers and regulators, would provide the port with funds to upgrade its Seagirt Marine Terminal. In addition to an up-front payment of $100 million and annual lease payments tied to cargo volume, the company will invest an estimated $105 million to build a four-crane berth at Seagirt with 50-foot water depth.

That's an important step in the growing competition among East Coast ports for a greater share of what some believe will be a spike in container imports from Asia after the Panama Canal's opening in 2014 to larger ships. Officials in Maryland believe the pact with Ports America gives Baltimore a prominent place on the new distribution map.

"This is an excellent deal for the state," said James White, executive director of the Maryland Port Administration. "It assures that we will be ready with a 50-foot berth way before the Panama Canal project is completed."

Several East and Gulf Coast ports are contending for a share of the cargo expected from an expanded Panama Canal, where locks are being built to accommodate ships with drafts of 50 feet and capacities of 12,500 TEUs, more than twice the number of boxes that current Panamax ships can carry.

Baltimore's main competitor, the Port of Virginia, already has a 50-foot depth and will benefit from development of Norfolk Southern's intermodal Heartland Corridor. The Port of New York and New Jersey is on track to finish dredging its main channels to 50 feet by 2013, but large ships' access to the port's busiest terminals will remain impeded by the tight 151-foot clearance under the Bayonne Bridge.

Two decades ago, Baltimore and Virginia competed on fairly even terms in container volume. In recent years, Baltimore has lost market share. Last year, the port handled 437,435 TEUs, compared with 4.1 million TEUs in New York, 2.1 million in Savannah, 1.6 million in Virginia and 1.3 million in Charleston. Port officials say the expansion of Seagirt could help boost volume to 1.5 million TEUs by 2030.

Baltimore faces a challenge because any ships coming from Asia could first reach Norfolk and its rail connections, but White notes Baltimore can compete for cargo serving 14 million people within 125 miles inland of the coast between Baltimore and Philadelphia.

Seagirt opened in 1990 with three berths with 45-foot water depth, but the design provided for the addition of a fourth berth. The port already has a 50-foot-deep channel extending up the Chesapeake Bay to within 200 feet of Seagirt, and port officials said the deeper channel to the new berth will require only about 150,000 cubic yards of additional dredging.

When the MPA announced last year it was seeking bidders for a public-private partnership, port officials acknowledged they needed private capital to expand Seagirt to handle anticipated future demand. Ports America has operated Seagirt since the 200-acre terminal opened. The company has operated Baltimore's older Dundalk Marine Terminal since 1996.

Owned by Highstar Capital, Ports America was formed with the North American assets that DP World divested after its 2006 takeover of P&O Ports sparked a political uproar in the United States. Ports America operates terminals at 15 ports and handled nearly 13 million TEUs last year.

Baltimore is the second U.S. port in the last year at which Ports America has agreed to a long-term lease. In March, the company signed a 50-year agreement to lease five container berths at the Port of Oakland. Ports America agreed to pay $60 million up front and annual rent of at least $19.5 million, with annual escalations.

At Baltimore, the $100 million Ports America will pay up front will go to the Maryland Transportation Authority for use on roads, tunnels and bridges. Port officials said the company is expected to invest up to $500 million in capital projects at the port over the next 50 years. Ports America is expected to pay $1.3 billion over the life of the lease, including an annual lease payment starting at $3.2 million a year and adjusted for inflation after the fifth year. The company also will pay $15 for each TEU handled in excess of 500,000 per year.

The lease gives Ports America full control over operations. The company will be allowed to shift container operations to Seagirt from Dundalk, freeing 65 acres there to be used exclusively for automobile and roll-on, roll-off cargo. Ports America plans to open the new berth at Seagirt by 2014, the year the Panama Canal is scheduled to open its new locks.

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