BDP INTERNATIONAL

Turning negative into positive

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The Port of Baltimore, relegated to the lower tier of harbors in the container trade for the better part of 20 years, is poised for significant growth as new wharf and intermodal investments get underway and private sector partners heavily market it as an international gateway for Midwest retailers and manufacturers, according to port officials and industry experts.

The new infrastructure prepares the port to handle the mega-containerships that ocean carriers are deploying and will run from Asia to the East Coast once the Panama Canal is widened and deepened in 2014. Key factors carriers consider for ports of call are infrastructure quality and capacity, inland connectivity, local population density and warehousing.

Ports America is more than halfway done with a $100 million capital investment program to construct a 50-foot berth for containerships, install giant cranes and make other improvements. The berth’s depth will equal the harbor’s shipping channel and its Chesapeake Bay approach.

The largest independent port operating company in the United States took over management of Baltimore’s Seagirt Marine Terminal early last year after winning a 50-year concession from the state of Maryland in exchange for current and future infrastructure upgrades and $140 million to the Maryland Department of Transportation for road and highway improvements across the state.

The new section of wharf is expected to be completed by August 2012, port officials say. The work is ahead of schedule and under budget, according to Christopher Lee, managing director of Ports America owner Highstar Capital.

Meanwhile, CSX Corp., one of two major eastern railroads, in late May announced plans to build an intermodal terminal outside Baltimore as part of its $850 million National Gateway Initiative to create a more efficient rail network capable of transporting intermodal cars with double-stacked containers. Routes through North Carolina, Virginia, West Virginia, the District of Columbia, Maryland, Pennsylvania and Ohio are scheduled to have bridges and tunnels raised or removed, or tracks lowered, to accommodate taller freight cars, providing Midwest customers with improved access to mid-Atlantic ports. Other prime beneficiaries of the infrastructure investment are the Port of Virginia in Norfolk and the Port of Wilmington in North Carolina.

More than 50 locations between Baltimore and Northwest Ohio alone have to be cleared.

Jacksonville, Fla.-based CSX has mobilized a public-private partnership to develop the National Gateway, with more than $280 million in federal and state support.

CSX said it and Maryland will each invest $75 million to build the new intermodal terminal at one of four potential sites south of Baltimore. Maryland plans to request federal funds for its portion of the arrangement. Public hearings to help identify the best location are scheduled for the fall.

Baltimore enjoyed its best 12-month period of container business from April 2010 to March 2011 when it processed 632,482 TEUs. The previous high of 629,604 TEUs was reached in January 2007, prior to the recession. In the past three years, the port authority has signed multiyear, long-term contract extensions with container lines Evergreen Marine and Mediterranean Shipping Co. that guarantee transport service. MSC also began a direct, weekly container service from the port to the Far East in mid-2009, increasing MSC's total vessel calls and containers through the port.

The 14 million consumers between Washington and southeastern Pennsylvania have attracted carriers despite the extra time required to travel up the Chesapeake Bay from the Atlantic Coast. The Baltimore-Washington metropolitan region is the fourth-largest market, and one of the most educated, according to economists. And Maryland has the highest median household income in the nation at $69,272.

The affluent population is being supplemented by more than 16,000 workers being displaced to Aberdeen, Md., with the closing of Fort Monmouth in New Jersey as part of the military's base realignment process. The average household income of those workers is $80,000, Joseph Greco, the port's deputy director of marketing, said during a mid-May press briefing at the Port of Baltimore.

Container consumption in the Port of Baltimore's local and regional market is more than 3.1 million TEUs, port economics consultancy Martin & Associates estimated. At least 70 percent of the import cargo that supplies the Baltimore-Washington region moves through other ports and represents an opportunity for Baltimore to capture market share.

One of the areas where port officials believe they have a business advantage is Philadelphia because that city doesn't have a direct vessel service from Asia. Baltimore also has an edge over the Port of Virginia because there aren't as many distribution centers in Norfolk and the surrounding Hampton Roads region, he said.

Logistics facilities are expected to spring up around two new intermodal terminals in southern Pennsylvania — CSX's facility in Chambersburg and Norfolk Southern's in Greencastle. "We're positioned extremely well to provide international cargo for these DCs in the future," Greco added.

Baltimore is also about 50 miles from regional distribution centers in Frederick, Md., and York, Pa., about 100 miles from Chambersburg, Pa.; Winchester, Va.; and

Martinsburg, W.Va., and actually closer to Buffalo, N.Y., than the Port of New York and New Jersey.

It ranks second for exported autos and third for auto imports, and is in the top three for imported iron ore and aluminum, and exported coal.

East Coast ports have increased their share of Asian containerized cargo imports during the past seven years, as shippers sought to diversify their supply chains from the traditional West Coast gateways by using all-water service through the Panama Canal. Analysts predict the market share gains are relatively permanent, but which ports will receive the bulk of future cargoes is an open question as carriers deploy new containerships of 12,000 TEUs or more.

Experts predict the availability of a 50-foot depth would only come into play periodically because many carriers will transload their Asian cargo to smaller feeder vessels in Panama or the Caribbean, vessels gain a couple feet of water clearance as they burn off fuel on their voyage across the ocean, and those at a second port of call would already be lighter from having unloaded at the first port.

The new, long berth and super-post-Panamax cranes scheduled for delivery from China in May will enable Baltimore to handle the largest vessels two years ahead of the Panama Canal widening, while the intermodal rail capacity will enable it to efficiently move the large cargo volumes to and from the dock. Baltimore has long been able to accommodate bulk vessels that require 50-foot drafts at other terminals.

The new rail and marine terminal investments in Baltimore “are really propelling Baltimore into a world-class container facility,” said John Martin, whose firm has done port management studies for the Port of Baltimore.