Wall Street Journal

- NOVEMBER 21, 2009

Investor to Help Baltimore Port Prepare for Bigger Ships

By CHRISTOPHER CONKEY

A private investment group led by Highstar Capital has agreed to invest as much as $1.3 billion to expand the Port of Baltimore as ports in the eastern U.S. push to make changes needed to serve a new generation of supersize cargo vessels.

Agency France-Presse/Getty Images - *The containerized cargo ship MSC Rossella from Panama is docked for cargo transfer in August at the Port of Baltimore, MD*

The deal, announced Friday, is essentially a 50-year lease between the Maryland Port Administration and Ports America Group, a company owned by Highstar Capital, a New York private-equity fund. In exchange for the right to operate Baltimore's cargo-container terminal for 50 years, Ports America will make an upfront payment of $100 million and a series of infrastructure improvements at the port. Chief among them: deepening the water at the cargo terminal to 50 feet from its current depth of 45 feet.

The improvements will enable Baltimore to compete for the supersize cargo vessels that are expected to start passing through the Panama Canal after its expansion is complete in 2014 or so. The vessels are capable of carrying twice as many 40-foot containers as the cargo vessels that typically call on East and Gulf Coast ports.

Other ports are considering similar expansions and hunting for the capital to get them done. The Port Authority of New York and New Jersey is examining a number of proposals to fix its biggest impediment to serving bigger cargo ships: a bridge that isn't high enough for the vessels to fit under.

Port officials in Charleston, S.C., are studying plans to increase the depth of its water, which fluctuates by six feet along with tides. The port is also moving to develop its Navy Base Terminal, which would boost container capacity by 50% when finished.

Officials in Savannah, Ga., are improving rail connections, purchasing new gantries and upgrading technology in an effort to more than triple the number of containers the port can process. The port will find out within the next year or so whether it can proceed with a channel-deepening project that would enable it to handle the larger vessels.

"The canal expansion is clearly going to be a game-changer in international trade," said Curtis Foltz, chief operating officer at the Georgia Ports Authority.

The port in the best position east of the Panama Canal may be in Norfolk, Va. The water is already 50 feet deep there, and the port has joined with freight rail company Norfolk Southern Corp. and others on the Heartland Corridor, a rail connection to the Midwest that can accommodate trains double-stacked with 40-foot cargo containers.

"We do know [traffic] is going to go up" after the canal is widened, "and we're definitely going to be ready for it," said Joe Harris, a spokesman for the Virginia Ports Authority.

Private infrastructure groups are looking for opportunities at a time when many state and local governments are strapped for cash. Florida recently signed a deal with a private consortium to build and operate a tunnel at the Port of Miami. Earlier this year, the Port of Oakland agreed to turn over some of its terminals to Ports America, which has gradually established a presence at virtually every major port in the country.

"Difficult economic times also open the door for new business opportunities," said Maryland Lt. Gov. Anthony Brown, referring to Baltimore's deal with Ports America. Maryland officials said the deal could ultimately bring 5,700 jobs to the state, which plans to spend the $100 million upfront payment on road, bridge and tunnel upgrades.

In a statement, Christopher Lee, president of Ports America Chesapeake and managing partner of Highstar Capital said the company is looking forward to implementing "the critical infrastructure required to maintain the Port of Baltimore's competitiveness and importance to the Maryland economy."

Write to Christopher Conkey at christopher.conkey@wsj.com

American Shipper

Ports America to run Baltimore terminal

The Maryland Port Administration has agreed to lease its 200-acre Seagirt Marine Terminal in Baltimore to Ports America for 50 years.

Under the agreement, announced last Friday by Maryland Gov. Martin O'Malley, Ports America will build a fourth ship berth and order four new cranes at cost of $105.5 million. The new berth and cranes will be capable of handling post-Panamax containerships with drafts of up to 50 feet of water.

Baltimore, as with ports up and down the East Coast, expects to see larger ships calling its facilities after the Panama Canal completes construction of a new set of locks in 2014. The expansion will increase the size of ships able to transit the canal to 12,000 TEUs from 4,800 TEUs.

Under the agreement, which must be submitted to the state's Board of Public Works for approval, Ports America will also provide the state's Department of Transportation with $100 million, which can be used to repair or improve roads tunnels or bridges anywhere in Maryland, not just the port area.

Ports America is the largest terminal operator and stevedore in the country, with cargo handling operations at 50 ports and 97 terminals in the United States and Mexico. It is owned by the infrastructure investment firm Highstar Capital.

Ports America is the current operator of the Seagirt Marine Terminal and has operated the facility since the terminal opened in 1990. The terminal was built on landfill excavated when the Ft. McHenry Tunnel was built to carry Interstate 95 through the city. Ports America said its predecessor companies have operated at the port since 1921.

Another stevedoring firm, Ceres Terminals, qualified to bid for the opportunity to operate the terminal, but in the end did not submit an offer, port officials said.

Peter Stone, chief commercial officer at Ports America, said the firm was keen to win a long-term lease for Seagirt because Baltimore is closer to a concentration of warehouses, distribution centers, and manufacturers that stretches from Washington to New Jersey and inland to areas such as Harrisburg, Pa.

Both Norfolk and Baltimore have 50-foot channels, he noted, because of their coal terminals, and both will be able to accommodate the big new containerships when Seagirt completes building its new berth.

Stone said Ports America believes Baltimore will have an edge over Norfolk because its more northerly location will bring containers closer to more consumers and to distribution centers, reducing inland distribution costs for both shipping lines and importers and exporters.

The state said the deal "is expected to produce 5,700 new jobs, while the total investment and revenue from this agreement to the State of Maryland has the potential to reach more than $1.3 billion over the life of the agreement and will generate $15.7 million per year in new taxes for Maryland." — Chris Dupin

Logistics Management

Ocean shipping: Maryland Ports Administration, Ports America set to move forward with public-private partnership

Deal would significantly increase Port of Baltimore's competitive position

By Jeff Berman, Group News Editor -- Logistics Management, November 23, 2009

BALTIMORE-In an example of a public-private partnership geared towards job creation and subsequent increased business opportunities, the Maryland Ports Administration (MPA) and Ports America Chesapeake, a subsidiary of private equity fund Highstar Capital, inked a 50-year deal in which the MPA will lease its 200-acre Seagirt Marine Terminal to Ports America.

MPA officials said that under the terms of the deal Ports America will construct a 50-foot berth for the port that is expected to spur business activity and accommodate larger vessels that will be able to dock at the port. They added that this partnership is expected to produce 5,700 new jobs, with the total investment and revenue from this deal to the state of Maryland having the potential to reach more than $1.3 billion over the span of the deal, as well as generate $15.7 million per year in new taxes for the state.

Construction for the berth is expected to be completed by 2014. This effort will make the Port of Baltimore one of only two U.S. East Coast ports-the Port of Virginia is the other-with a 50-foot berth and a 50-foot channel.

"The biggest benefits [of this] for shippers will certainly be the availability of a 50 foot berth at the Port of Baltimore," said MPA Spokesman Richard Scher in an interview. "Baltimore will become only the second port on the East Coast to have both a 50 foot channel and berth." The Port of Virginia in Norfolk, Va. is the other.

Scher added that the berth will allow shippers to place more TEU (twenty-foot equivalent) containers on vessels bound for Baltimore, noting that a 50 foot berth will allow Baltimore to welcome larger ships and more cargo.

According to MPA and Maryland State officials, this agreement must be submitted to the Board of Public Works for approval.

And they said that when the agreement is made official, Ports America will be responsible for running the daily operations of the Seagirt Marine Terminal, as well as investing in a new 50-foot berth, cranes, and other infrastructure at Seagirt. Ports America will make an annual payment and provide ongoing revenues to the MPA during the life of the agreement, and the State of Maryland would continue to own Seagirt.

Ports America already operates the Seagirt Marine Terminal and has operated the terminal since it opened in 1990. It has also run operations at the port's Dundalk Marine Terminal since 1996.

"When the Panama Canal expansion project is completed in 2014, it is expected that a greater and larger number of ships will travel to East Coast ports to reach their customers quicker and less expensively than their current route of going to West Coast ports and sending products by rail to markets throughout the country," said the MPA. "Without a 50-foot berth, those larger ships would not have enough water depth to dock and bring additional business to the Port of Baltimore. The cost to develop the 50-foot berth and four cranes is approximately $105.5 million."

And MPA's Scher said that the advantages are that the Port of Baltimore will be one of two East Coast ports with a 50 foot berth and channel.

"We already have the channel," he said. "However we have a strong advantage over Norfolk because of our consumer market. We are located within the third largest consumer market in the nation. Baltimore sits between Philadelphia and Washington, DC/Northern Virginia. This area includes more than 14 million consumers.

A Wall Street Journal report noted that this deal reflects how private infrastructure groups are looking for opportunities at a time when many state and local governments are strapped for cash. The report cited similar efforts occurring at other U.S.-based ports, including the Port of Oakland, the Georgia Ports Authority, the Port of Charleston, and the Virginia Ports Authority.

"Difficult economic times also open the door for new business opportunities," Maryland Lieutenant Governor Anthony Brown told the WSJ.

Workboat.com

Port of Baltimore to get multi-million-dollar upgrade

Nov. 20—Maryland Gov. Martin O'Malley announced Friday that a company will invest hundreds of millions of dollars to upgrade the port of Baltimore -- a project likely to bring thousands of jobs to the city.

The deal, part of a long-term lease agreement, is needed to prepare the port for the larger ships expected to dominate maritime commerce after the widening of the Panama Canal is completed, high-ranking administration officials said. They identified the company that will take over container operations at Seagirt Marine Terminal as Ports America Chesapeake, a newly chartered affiliate of Ports America Group -- the terminal's current operator.

With the state's Transportation Trust Fund depleted, the Maryland Port Administration has been working for more than a year to find a private partner to build a 50-foot-deep berth and purchase four cranes so Seagirt could handle the oversize cargo ships that are expected to use the canal to sail from Asia to the East Coast after 2014.

Officials estimated the cost of building the expanded berth at $105 million, and said Ports America is expected to invest up to $500 million in capital projects at the port over the 50-year term of the agreement.

They predicted the agreement would directly create 5,700 new jobs in Maryland -- 2,700 of them permanent positions at the port.

Rupert Denney, chairman of the Baltimore Port Alliance, a group representing maritime businesses, called the deal "a positive development," good for the Maryland Port Administration and the port community in general.

Though he was not privy to the selection of Ports America as the winning bidder, Denney said upgrading the terminal likely would lead to more shipping business for the port and more employment.

"If Ports America are prepared to invest this amount of money in the port of Baltimore, they have every single incentive to make the operation work," he said. "That'll turn into probably higher volumes and more man-hours."

According to the administration sources, Ports America was the sole company to put in a bid. But they expressed confidence the state had negotiated a good deal.

State officials familiar with the deal asked not to be identified because it had not been formally approved. But they described it as a one-of-a-kind public-private partnership with no clear precedent in the port industry.

The Maryland Port Commission approved the contract Friday morning. The pact still has to be reviewed by General Assembly budget committees and ratified by the Board of Public Works.

Under the agreement, sources said, the state will receive regular lease payments for the next 50 years. In addition, Ports America would provide the roughly $100 million necessary to transfer ownership of 201 acres at the terminal from the Maryland Transportation Authority to the port administration.

According to the sources, the state would also receive a payment for each container that moves across the Seagirt docks above a 500,000 annual threshold. The state would remain in charge of security at the terminal, with the Maryland Transportation Authority Police continuing their role as first responder.

Most container cargo that comes from Asia to the Eastern United States travels by ship to the West Coast and then moves across country by train. A high-ranking port official estimated that by sending mega-ships through the Panama Canal, shipping lines will be able to lower the cost per container from roughly $2,000 to about $200.

The canal's existing locks are limited in the size of the ships they can handle, but Panamanian authorities are midway through a $3 billion project to add a third set of locks -- wider and deeper -- to allow the largest vessels.

According to the high-ranking official, the port of Baltimore stood to lose significant business -- including that of the giant Evergreen Line -- had it not found a way to pay for the expanded berth at Seagirt. Evergreen accounts for about one-third of the 350,000 containers that come through the port of Baltimore annually.

With the agreement, port officials expect to be in an excellent position to gain container business because it will be one of the few East Coast ports with the 50-foot-deep channel needed to accommodate the larger ships.

According to administration officials, Ports America was one of two companies that responded to the state's original request for bidders. They said the other bidder, Ceres Marine Terminals, pulled out days before the deadline.

Baltimore Sun reporter Timothy B. Wheeler and the Associated Press contributed to this article.

HIGHLIGHTS OF THE PORT DEAL:

-- Ports America Chesapeake would build 50-foot-deep berth and equip with four cranes.

-- Maryland Port Administration would receive.lease payments from Ports America.

-- Ports America would provide roughly $100 million to buy out Maryland Transportation Authority.

-- Contract calls for capital investments up to $500 million over 50 years.

SourceNews

Governor O'Malley Announces 50-Year Contract with Ports America to Operate Port of Baltimore's Seagirt Marine Terminal

... Agreement will provide 5,700 new jobs for Baltimore area 50-foot berth will be constructed that will bring more cargo and larger ships to Maryland Agreement will bring over $1.3 billion to the state over the next 50 years and will generate $15.7 million in new taxes per year ANNAPOLIS, MD (November 20, 2009) - Governor Martin O'Malley today announced a 50-year agreement between the Maryland Port Administration (MPA) and Ports America Chesapeake that will allow the MPA to lease its 200-acre Seagirt Marine Terminal to Ports America. In return, Ports America has agreed to construct a 50-foot berth for the Port of Baltimore that is expected to result in increased business opportunities and larger vessels that will be able to dock at the Port. The partnership between the MPA and Ports America is expected to produce 5,700 new jobs.

Corridor Inc.

By Andy Rosen, MarylandReporter.com — The state is expected to select Ports America, the longtime operator of the publicly-owned Seagirt Marine Terminal, to take over the facility for at least 30 years.

Gov. Martin O’Malley is scheduled to hold a news conference to outline a deal with the company, according to a source with knowledge of the announcement. The Maryland Port Administration has been looking for a company to take over the terminal for the better part of two years.

The company agreed to build a 50-foot berth at Seagirt, the source said which will allow larger ships to dock there. Further terms of the deal were not available Wednesday evening. Officials in O’Malley’s office and with the port administration declined to comment.

Officials with the MPA have grown increasingly concerned about the facility’s ability to compete with ports in New York and Virginia without major improvements that the state says it can’t afford. Foremost among the needs they identified is a berth that is large enough for ships that draw 50 feet, which would cost around $80 million.

Ports America was apparently selected over Ceres Terminals Inc., the only other bidder revealed early this year. Neither company responded to requests for information about the bidding.

Ports America has operated Seagirt since it opened under a series of contracts with the state. It is owned by Highstar Capital, a private equity firm in New York. Ceres, owned by Alinda Capital Partners, has a significant presence in the Port of Baltimore as well, performing some of the stevedoring work at Seagirt and operating a private South Baltimore terminal.

Final offers from all bidders were due last Monday, and MPA officials would not release any information about the bidding. There were rumblings around the port that Ceres had dropped out of the deal. Del. Brian McHale, D-Baltimore City, a longshoreman whose district includes parts of the port, said he had heard the same thing, but wasn’t sure it was accurate.

Seagirt, a 200-acre facility, opened in 1990 as the port's primary public terminal for container ships.

The port already has three 45-foot berths, but wants a fourth at 50 feet. The Panama Canal is undergoing a widening project to be completed in 2011, and the state is trying to prepare for new, larger ships that will pass through it from the Pacific Ocean.

Under the framework that the MPA set up for the deal, the state would continue to own Seagirt, but the selected company would take over all operations at the terminal, with the likely exception of security. The company would collect revenue and pay rent to the state.

Under the existing arrangement, Ports America has been operating Seagirt under a year-to-year contract and being paid by the state for stevedore services.

MarylandReporter.com

Ports America expected to take over Seagirt terminal

By Andy Rosen
Andy@MarylandReporter.com

The state is expected to select Ports America, the longtime operator of the publicly-owned Seagirt Marine Terminal, to take over the facility for at least 30 years.

Gov. Martin O'Malley is scheduled to hold a news conference to outline a deal with the company, according to a source with knowledge of the announcement. The Maryland Port Administration has been looking for a company to take over the terminal for the better part of two years.

The company agreed to build a 50-foot berth at Seagirt, the source said which will allow larger ships to dock there. Further terms of the deal were not available Wednesday evening. Officials in O'Malley's office and with the port administration declined to comment.

Officials with the MPA have grown increasingly concerned about the facility's ability to compete with ports in New York and Virginia without major improvements that the state says it can't afford. Foremost among the needs they identified is a berth that is large enough for ships that draw 50 feet, which would cost around $80 million.

Ports America was apparently selected over Ceres Terminals Inc., the only other bidder revealed early this year. Neither company responded to requests for information about the bidding.

Ports America has operated Seagirt since it opened under a series of contracts with the state. It is owned by Highstar Capital, a private equity firm in New York. Ceres, owned by Alinda Capital Partners, has a significant presence in the Port of Baltimore as well, performing some of the stevedoring work at Seagirt and operating a private South Baltimore terminal.

Final offers from all bidders were due last Monday, and MPA officials would not release any information about the bidding. There were rumblings around the port that Ceres had dropped out of the deal. Del. Brian McHale, D-Baltimore City, a longshoreman whose district includes parts of the port, said he had heard the same thing, but wasn't sure it was accurate.

Seagirt, a 200-acre facility, opened in 1990 as the port's primary public terminal for container ships.

The port already has three 45-foot berths, but wants a fourth at 50 feet. The Panama Canal is undergoing a widening project to be completed in 2011, and the state is trying to prepare for new, larger ships that will pass through it from the Pacific Ocean.

Under the framework that the MPA set up for the deal, the state would continue to own Seagirt, but the selected company would take over all operations at the terminal, with the likely exception of security. The company would collect revenue and pay rent to the state.

Under the existing arrangement, Ports America has been operating Seagirt under a year-to-year contract and being paid by the state for stevedore services.

Portfolk

- ## Port of Baltimore to get multi-million-dollar upgrade

Published: November 24th, 2009 -

Gov. Martin O’Malley announced Friday that a company will invest hundreds of millions of dollars to upgrade the port of Baltimore -- a project likely to bring thousands of jobs to the city.

The deal, part of a long-term lease agreement, is needed to prepare the port for the larger ships expected to dominate maritime commerce after the widening of the Panama Canal is completed, high-ranking administration officials said. They identified the company that will take over container operations at Seagirt Marine Terminal as Ports America Chesapeake, a newly chartered affiliate of Ports America Group -- the terminal’s current operator.

With the state’s Transportation Trust Fund depleted, the Maryland Port Administration has been working for more than a year to find a private partner to build a 50-foot-deep berth and purchase four cranes so Seagirt could handle the oversize cargo ships that are expected to use the canal to sail from Asia to the East Coast after 2014.

Officials estimated the cost of building the expanded berth at $105 million, and said Ports America is expected to invest up to $500 million in capital projects at the port over the 50-year term of the agreement.

They predicted the agreement would directly create 5,700 new jobs in Maryland -- 2,700 of them permanent positions at the port.

Rupert Denney, chairman of the Baltimore Port Alliance, a group representing maritime businesses, called the deal "a positive development," good for the Maryland Port Administration and the port community in general.

Though he was not privy to the selection of Ports America as the winning bidder, Denney said upgrading the terminal likely would lead to more shipping business for the port and more employment.

"If Ports America are prepared to invest this amount of money in the port of Baltimore, they have every single incentive to make the operation work," he said. "That’ll turn into probably higher volumes and more man-hours."

According to the administration sources, Ports America was the sole company to put in a bid. But they expressed confidence the state had negotiated a good deal.

State officials familiar with the deal asked not to be identified because it had not been formally approved. But they described it as a one-of-a-kind public-private partnership with no clear precedent in the port industry.

The Maryland Port Commission approved the contract Friday morning. The pact still has to be reviewed by General Assembly budget committees and ratified by the Board of Public Works.

Under the agreement, sources said, the state will receive regular lease payments for the next 50 years. In addition, Ports America would provide the roughly $100 million necessary to transfer ownership of 201 acres at the terminal from the Maryland Transportation Authority to the port administration.

According to the sources, the state would also receive a payment for each container that moves across the Seagirt docks above a 500,000 annual threshold. The state would remain in charge of security at the terminal, with the Maryland Transportation Authority Police continuing their role as first responder.

Most container cargo that comes from Asia to the Eastern United States travels by ship to the West Coast and then moves across country by train. A high-ranking port official estimated that by sending mega-ships through the Panama Canal, shipping lines will be able to lower the cost per container from roughly $2,000 to about $200.

The canal's existing locks are limited in the size of the ships they can handle, but Panamanian authorities are midway through a $3 billion project to add a third set of locks -- wider and deeper -- to allow the largest vessels.

According to the high-ranking official, the port of Baltimore stood to lose significant business -- including that of the giant Evergreen Line -- had it not found a way to pay for the expanded berth at Seagirt. Evergreen accounts for about one-third of the 350,000 containers that come through the port of Baltimore annually.

With the agreement, port officials expect to be in an excellent position to gain container business because it will be one of the few East Coast ports with the 50-foot-deep channel needed to accommodate the larger ships.

According to administration officials, Ports America was one of two companies that responded to the state's original request for bidders. They said the other bidder, Ceres Marine Terminals, pulled out days before the deadline.

Sentinel Newspapers
O’Malley: Port deal to bring larger ships, 5,700 jobs

Published on: Tuesday, November 24, 2009
By Aleksandra Robinson, CNS

A new long-term partnership between the Port of Baltimore and the largest terminal operator in the country, Ports America, will bring 5,700 jobs and $15.7 million in annual revenue for Maryland, Gov. Martin O’Malley announced Friday.

The long-term lease of Seagirt Marine Terminal leaves ownership of the facility in the hands of the state and the day-to-day management of the terminal to Ports America Chesapeake.

“This is the beginning of a partnership between the Port of Baltimore and Ports America,” O’Malley said, standing on the container crane area at the water’s edge. For the announcement, a row of longshoremen stood behind him in their neon vests and hard hats. “This deal is all about job creation in Maryland.”

Of the 5,700 jobs expected to be created, 2,700 will be permanent jobs and 3,000 will be construction jobs. In 2008, the Port of Baltimore was No. 12 in the nation for total dollar value of cargo and 14th in total foreign cargo tonnage out of about 360 U.S. ports.

Secretary of Transportation Beverly Swaim-Staley said the port is one of the most important economic engines in the state and that this deal will strengthen the port’s money-making power. There are 16,500 jobs associated with the port in the state, and this partnership will only create more.

“In the 300-year history of the port we have had many special events, but I think we can argue this is one of the most important,” she said.

The construction jobs will come as part of the agreement that requires Ports America to build a new 50-foot berth at Seagirt to accommodate larger ship traffic as the Panama Canal expansion project ends in 2014. The new berth will make Maryland more effective at luring ship traffic away from Norfolk, Va., and up the Chesapeake Bay.

“We are going to be able to invest now in that new berth to create jobs today,” O’Malley said. “And to do it now. Not 10 years from now, not 20 years from now — but to create jobs now.”

Ports America Chesapeake Chairman Christopher Lee said he believes Baltimore gets the cargo ships it does from Norfolk, despite being a 10-hour steam up the Chesapeake Bay from Virginia, because of the efficiency and work ethic of port staff.

“A port is all about the people who make it work,” he said.

Donald Fry of the Maryland Port Commission said the partnership of public and private entities will bring tax dollars into the state as well as jobs.

“Today signifies the state’s willingness to bring public and private sectors together,” Fry said. “This port is good for business and it’s good for government.”

Helen Delich Bentley, former congresswoman and namesake of the port, was in the audience during the announcement. A long-term advocate for the port, Bentley said this deal garnered her seal of approval.

“This is a very vital step for Baltimore,” Bentley said. “Now we’re going to do it and it’s going to be under top management and it’s going to be a great deal.”

CenterPoint Virginia

O’MALLEY ANNOUNCES PORT UPGRADE

A deal in which a private contractor will invest hundreds of millions of dollars into the Helen Delich Bentley Port of Baltimore in return for a 50-year lease of Seagirt Marine Terminal received a strong endorsement Friday from the person who might be the most important arbiter of all:

Helen Delich Bentley.

The former congresswoman and “godmother” of the port was among those who gathered at Seagirt as Gov. Martin O’Malley announced a deal that would upgrade the terminal so that it can unload the super-sized containerships that are expected to become a growing sector of maritime commerce after a widened Panama Canal opens in 2014.

“It’s a great deal,” said Bentley, 85, a maritime industry consultant who added that she saw no downside to the contract. “It’s a push forward for us. It comes at a very important time, a very critical time.”

Bentley’s assessment was echoed by national experts in the maritime trade, who called it a significant enhancement of Baltimore’s ability to compete with other East Coast ports.

“It’s a major event in the maritime industry. It’s really kind of game-changing,” said Aaron Ellis, communications director for the American Association of Port Authorities.

Under the deal, a local affiliate of the Ports America Group would invest an estimated $105 million to build a 50-foot-deep berth at Seagirt and equip it with four state-of-the-art cranes so the terminal can serve the mega-ships that are expected to bring cargoes from Asia through the canal and directly to the East Coast. In addition, Ports America is expected to invest up to $500 million in capital projects at the port over the 50-year term of the agreement.

The state, lacking the money to build such a facility itself, had spent the past year and a half looking for a private partner to make the capital investment it could not.

A jubilant O'Malley, backed by a lineup of longshoremen in blazingly colorful safety jackets, promoted the deal as a potent boost to Maryland's employment market.

"Jobs, jobs, jobs. This deal is all about job creation in Maryland and job creation now," he said. Over the next 50 years, he said, the deal is expected to yield $1.3 billion in economic activity at the port.

According to state officials, the agreement is expected to directly create 5,700 new jobs in Maryland, including 2,700 permanent jobs at the port and another 1,000 to build the expanded berth. Those jobs are unlikely to materialize immediately because the permanent jobs will likely be created after the berth's planned opening in 2014. Ports America officials estimated that construction would begin in 2011 or 2012.

Closer to "now" may be the 2,000 jobs expected to be created in the short term as the Maryland Transportation Authority uses the estimated $100 million it will receive to buy out its ownership of the terminal to accelerate maintenance at state toll facilities.

James J. White, executive director of the Baltimore port, pointed to the huge blue cranes hovering over the Seagirt pier and said he doesn't have "the first dollar" to replace them without private capital. White said the cranes are 20 years old and have an expected working life of 25 to 30 years. He said the current cranes can only reach over 17 containers and that the new generation of ships that will traverse the wider canal will be stacked 20 containers across.

White said the port currently handles the equivalent of 450,000 20-foot containers a year on its docks. With the Ports America deal, he said, that number could grow to 1.5 million over the next 20 years.

After a news conference that attracted many leaders of business in the port, O'Malley hinted that future public-private partnerships could follow the port deal. He said Maryland had been approached many times with offers involving state-owned infrastructure but had turned them down.

"None of them was good for the public," he said. "This one's good for the public."

A spokesman for the port's No. 1 competitor, Joe Harris of the Virginia Port Authority, said Baltimore had found an impressive partner in Ports America.

"It's not a bunch of neophytes. They've had a lot of experience in this and they've been successful," he said.

Harris said the VPA-operated Port of Hampton Roads is already equipped with the berths and cranes needed to handle the larger ships. But he said Baltimore and the Virginia port could have a significant edge over other East Coast ports that don't have the 50-foot-deep channels the next generation of ships will require.

Highlights of the port deal

•Ports America Chesapeake would build 50-foot-deep berth and equip with four cranes.

•Maryland Port Administration would receive.lease payments from Ports America.

•Ports America would provide roughly $100 million to buy out Maryland Transportation Authority.

•Contract calls for capital investments up to $500 million over 50 years

Southern Maryland Online

O'Malley: Port Deal Will Bring Larger Ships, 5,700 Jobs to Baltimore

Posted on November 21, 2009
By ALEKSANDRA ROBINSON

BALTIMORE (Nov. 21, 2009) - A new long-term partnership between the Port of Baltimore and the largest terminal operator in the country, Ports America, will bring 5,700 jobs and $15.7 million in annual revenue for Maryland, Gov. Martin O'Malley announced Friday.

The long-term lease of Seagirt Marine Terminal leaves ownership of the facility in the hands of the state and the day-to-day management of the terminal to Ports America Chesapeake.

"This is the beginning of a partnership between the Port of Baltimore and Ports America," O'Malley said, standing on the container crane area at the water's edge. For the announcement, a row of longshoremen stood behind him in their neon vests and hard hats. "This deal is all about job creation in Maryland."

Of the 5,700 jobs expected to be created, 2,700 will be permanent jobs and 3,000 will be construction jobs. In 2008, the Port of Baltimore was No. 12 in the nation for total dollar value of cargo and 14th in total foreign cargo tonnage out of about 360 U.S. ports.

Secretary of Transportation Beverly Swaim-Staley said the port is one of the most important economic engines in the state and that this deal will only strengthen the port's money-making power. There are 16,500 jobs associated with the port in the state, and this partnership will only create more.

"In the 300-year history of the port we have had many special events, but I think we can argue this is one of the most important," she said.

The construction jobs will come as part of the agreement that requires Ports America to build a new 50-foot berth at Seagirt to accommodate larger ship traffic as the Panama

Canal expansion project ends in 2014. The new berth will make Maryland more effective at luring ship traffic away from Norfolk, Va., and up the Chesapeake Bay.

"We are going to be able to invest now in that new berth to create jobs today," O'Malley said. "And to do it now. Not 10 years from now, not 20 years from now -- but to create jobs now."

Ports America Chesapeake Chairman Christopher Lee said he believes Baltimore gets the cargo ships it does from Norfolk, despite being a 10-hour steam up the Chesapeake Bay from Virginia, because of the efficiency and work ethic of port staff.

"A port is all about the people who make it work," he said.

Donald Fry of the Maryland Port Commission said the partnership of public and private entities will bring tax dollars into the state as well as jobs.

"Today signifies the state's willingness to bring public and private sectors together," Fry said. "This port is good for business and it's good for government."

Helen Delich Bentley, former congresswoman and namesake of the port, was in the audience at the announcement. A long-term advocate for the port, Bentley said this deal garnered her seal of approval.

"This is a very vital step for Baltimore," Bentley said. "Now we're going to do it and it's going to be under top management and it's going to be a great deal."

Transport and Project Finance

1.1 Port of Baltimore to award Seagrit PPP concession to Ports America

ON 20 November 2009, the Port of Baltimore announced that it had awarded the Seagirt Marine Terminal to Ports America via a newly-enacted SPV called Ports America Chesapeake (PAC). The Maryland Port Administration (MPA) reportedly signed a 50-year agreement for the redevelopment and expansion of the Seagirt Marine Terminal. The concession agreement obligates Ports America to build a 50-foot berth to accommodate the next generation container ships at Baltimore. MPA officials estimate that the capital improvements would require US$106 million in new investment.

The 50-year concession agreement will require PAC to make a one-time payment to the Maryland Department of Transportation at US$100 million. In addition, PAC will share a portion of gross revenue with the MPA. Not having reviewed the concession agreement, however, it is difficult to estimate the economics of the facility. Total capital investments over the life of the concession are estimated at approximately US$500 million. According to the Governor’s statement, the concession agreement has the potential to generate over

US$1.3 billion in payments over the life of the lease, while contributing over US$15.7 million in tax payments per annum. The Governor's message indicates that PAC will receive an annual "known base payment" for 50-years (presumably structured as an availability payment) along with all Net Revenues. This transaction could potentially be the first availability payment structured in the ports sector. None of the industry publications reported this line, but it is clearly stated in the Governor's newswire available at the following link:
http://www.gov.state.md.us/pressreleases/091120.asp.

The current facility has a capacity of approximately 1 million TEU, but remains substantially under-utilized handling approximately 500,000 TEU in 2008. Following completion of the capital improvements, the new facility will be positioned to handle the largest container ships via its 50-foot deep shipping channel and efficiently discharge containers via the 50-foot berth. The terminal features direct rail access via an intermodal terminal operated by CSX Transportation. The connectivity provides direct access to the eastern seaboard services provided by CSX allowing Seagirt to compete with the Ports of Virginia for Mid-Atlantic service to the Greater Baltimore-Washington, DC Metropolitan Area.

Ports America outlasted a consortium comprising Alinda Capital Partners and Ceres Terminals. According to press reports, the Ceres/Alinda team failed to submit a bid after electing to withdraw from the bidding process within days of the bid submission deadline. Ports America has operated the facility on short-term leases since the facility's opening year of operations in the early 1990s. MPA was advised by K&L Gates (legal), AECOM and Moffat & Nichol (technical) and Public Financial Management (financial advisor).

Civil Engineering News

Maryland's governor announces a 50-year contract with Ports America

November 25, 2009

BALTIMORE, MD. — Maryland's Governor, Martin O'Malley announced a 50-year agreement between the Maryland Port Administration (MPA) and Ports America Chesapeake that will allow the MPA to lease its 200-acre Seagirt Marine Terminal to Ports America. In return, Ports America has agreed to construct a 50-foot berth for the Port of Baltimore that is expected to result in increased business opportunities and larger vessels that will be able to dock at the Port.

This partnership between the MPA and Ports America is expected to generate 5,700 new jobs, while the total investment and revenue from this agreement to the State of Maryland has the potential to reach more than $1.3 billion over the life of the agreement and will generate $15.7 million per year in new taxes for Maryland. The agreement will have to be approved by the Board of Public Works.

Daily Record
Editorial: Seagirt deal brings hope, risk

by Daily Record Staff

The state has decided that a public-private partnership is the best way to provide the infusion of capital necessary to enable the Seagirt Marine Terminal to modernize and expand its facilities so it can remain a major contributor to the Maryland economy. But it had to sign a 50-year lease to close the deal.

There is a compelling case to be made supporting this direction. More and more governments, strapped for cash in the short run and reluctant to raise taxes in a tough economy, are turning to such arrangements, known as P3s, to attract private capital and expertise into government projects.

In this case, the Maryland Port Authority is facing a critical deadline in 2014, when an expanded Panama Canal will allow longer, taller and wider ships to pass from the Pacific Ocean to East Coast ports.

The Seagirt terminal is the main on- and off-loading point for shipping containers at the Port of Baltimore. If the terminal is not overhauled in the next five years to accommodate those larger ships, the future viability of the port could be threatened and its competitive position weakened.

But that will be a very costly undertaking, which is where the P3 comes into play.

The agreement requires Ports America Chesapeake — a subsidiary of Ports America Group, which has operated Seagirt since it opened — to invest more than $600 million in port-related infrastructure improvements during the 50-year lease and pay yearly rents. Also, the company will make an upfront payment of more than $100 million to help the transportation authority pay for other badly needed projects.

Supporters of the deal believe that expanded East Coast ports such as Seagirt will be more attractive to shippers than unloading cargo at West Coast ports and shipping it across the country. Others say the picture isn’t that clear because of changing conditions such as congestion of certain ports and the cost of inland transportation.

Which brings us back to that 50-year lease. That’s an eternity-and-a-half in the business world, but the public-private partnership does mean that Ports America is sharing the risk with the state.

We agree that the Port of Baltimore is a good bet for Maryland’s economic future. We just hope that the odds for success in this deal work in our favor.