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Discretionary cargo strategy for Port of Baltimore still in works

By Karen E. Thuermer
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The Port of Baltimore has a lot it could gain from CSX's National Gateway. For one, it would put another asset in this port's already overflowing satchel.

While James J. White, executive director of the Maryland Port Administration (MPA) explains that the National Gateway does not offer the port any direct benefits yet, it could eventually pick up business for the port in the discretionary cargo category.

Currently, the Port of Baltimore loses out to ports on the West Coast that serve as the entry point for eastbound cargos by mini land bridge rail. Such cargo also arrives via the Port of New York/New Jersey and even the Port of Norfolk that could otherwise be coming through the Port of Baltimore.

The problem, says White, is the Port of Baltimore cannot accommodate off dock double rail stacking.

CSX is trying to rectify this issue by proposing to build an intermodal transfer facility near the Port of Baltimore on other side of Baltimore's Howard Street Tunnel. Currently, CSX is unable to double stack containers on trains leaving its existing facility at the Port of Baltimore's Seagirt Marine Terminal due to height restrictions at the tunnel.

To fix the problem, CSX is proposing running single stack rail from Seagirt through the Howard Street Tunnel to the other side where the company wants to build an Intermodal Rail Transfer Facility. If successful, and with domestic intermodal containers moving onward to the Midwest, White says this would make it possible for Baltimore to offer double stack pricing from Maryland.

"If priced competitively with the Port of Norfolk we would be back in the discretionary cargo game," White says.

Relocating the intermodal transfer facility to the other side of the tunnel would not only will allow double-stacking, provide an additional benefit: free up land at

Seagirt, which is now occupied by CSX, to accommodate an increased flow of shipping traffic.

CSX is expecting the entire National Gateway project, including the Intermodal Rail Transfer Facility, to be completed in 2015. The goal is to coincide the entire National Gateway project with the expansion of the Panama Canal, which is expected to bring more traffic through East Coast ports.

The Intermodal Rail Transfer Facility is a key part of CSX's National Gateway plan to create a more efficient rail route linking mid-Atlantic ports with Midwestern markets, which would improve the flow of rail traffic between these regions by increasing the use of double-stack trains.

MidWest Asset

A major asset to the National Gateway is CSX's Northwest Ohio Terminal Facility, which opened in February this year. Located in North Baltimore, Ohio, just south of Toledo, the Northwest Ohio Terminal Facility is considered the nerve center of CSX's nationwide intermodal network. The facility operates on 185 acres as world-class freight distribution hub.

Similar to an air cargo hub, trains hauling containers trains arrive here directly from all across the nation and a host of connecting ports, then quickly and efficiently redistribute them to a network of double stack trains to speed final delivery all across the eastern United States.

"The benefit is shippers bypass choke points like Chicago," comments Carla Groteau, CSX Corp. spokesperson.

For Northwest Ohio, it transforms that region into a critical transportation center.

"The Gateway also helps CSX create 180 new origin-destination pairs, such as Jacksonville to Cleveland," says Groteau.

More so, she adds, the National Gateway connects the mid Atlantic region to the Midwest and beyond and supports long term growth for mid Atlantic ports like the Port of Baltimore.

The Great Lakes region is considered to be among one of the 10 mega regions in the United States. According to the U.S. Bureau of Labor Statistics, 2005, the states in that region produce over 32.5 percent of the U.S. Gross State Product. Other studies show that within a 300 miles radius of the Lake Erie West region, more than four billion square feet of industrial space is accessible, and that over

30 percent of industrial space in the United States and 54 percent of industrial space in Canada is accessible within a round trip, one-day drive.

Given the fact that the Washington-Baltimore region is the third largest consumer market in the country, the Northwest Ohio Terminal Facility builds a strong case for supporting two-way traffic between the Midwest and the Port of Baltimore.

Business at Baltimore is hot, and foul weather might be coming
By Karen E. Thuermer, AJOT
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James J. White, Maryland Port Authority (MPA) executive director, is enthusiastic about the Port of Baltimore. “We’re coming off a great year,” he cheers.

In a telephone interview with AJOT, White details how the Port of Baltimore saw 37.8 million tons of cargo cross their docks in 2011, up from 32.8 million tons in 2010. Of that was a record 24 million tons of export cargo.

Exports account for 40 percent of Baltimore’s cargo. White sees this 60 (imports), 40 (exports) percentage better than many major East Coast seaports.

All totaled, in 2011 the cargo accounted for more than $51.4 billion, the highest ever and a 24 percent jump from 2010.

“With a 15 percent increase over 2010 tonnage figures in both our public and private terminals, the Port’s 2011 figures were better than any major U.S. seaport,” he exclaims.

Adding to this good news, MPA announced that the port experienced a record first half of 2012, with 4.83 million tons of general cargo being handled for the first six month, topping the previous record of 4.69 million tons set during the pre-recession first half of 2008. This new record is also a 10 percent jump from the first six months of 2011 when the port handled 4.38 million tons of cargo.

Baltimore is ranked as the top port among 360 U.S. ports for handling farm and construction machinery, autos and light trucks, imported forest products, imported sugar, imported iron and ore and imported gypsum. Baltimore ranks second in the United States for exported coal, imported salt, and imported aluminum.

Noteworthy, the port handled more coal last year than it ever has in its history.

“The same can be said for automobiles where the Port is No. 1 in the United States,” White reports.

Commodities Going Strong

That trend continued during the first half of 2012 with the number of automobiles handled increasing 27 percent.

White claims this is largely because interest rates are so low, and with the average car in the United States today being 11 years old, people are replacing them. “Coming out of recession, people have been timid in making that type of investment,” he says. “But for the last two years, it’s been wonderful.”

The exportation of U.S.-made automobiles is strong as well.

Helping has been the rejuvenation of the U.S. auto industry. “Back in 2008-2009, people were questioning whether or not Chrysler was going to make,” White comments. Now he projects that at 140,000 units, Chrysler will be Baltimore’s No. 1 exporter this year in automobiles.

“When we had the Great Recession, they were down to about 18,000 exports,” he says.

Ford exports are also doing well.

While GM is not a big customer at the Port of Baltimore, White anticipates it will probably handle 30,000 GM cars this year. GM ships through the Ports of New York/New Jersey and Wilmington, Delaware. But Baltimore has picked up a lot of their business this year. “It’s been more than we’ve seen in the past,” White says.

White attributes GM’s choice of Baltimore to the fact the seaport has so many ocean and ro-ro carriers calling at the port.

“The frequency of sailings is better from Maryland than any other port on the East Coast,” he says. “Also, when you have a lot of carriers, you have a competitive environment for large manufactures to shop ocean freight rates.”

Baltimore remains the No. 1 port in the United States for imported forest products. These encompass rolled paper from Finland, which is warehoused at Baltimore’s Locust Point, and Brazilian pulp that goes to Dundalk Marine Terminal.

“The rolled paper business has suffered greatly in the last four to five years because of book readers and smart phones,” he remarks. “I don’t’ see it coming back as it was in past.”

But White has high hopes for pulp from Brazil since the United States is not making pulp as it once did due to antiquated facilities that are now closing.

Pulp is used to make paper products such as diapers, toilet tissue, and paper towels -- products people will continue to consume. Consequently, White is confident MPA can grow that business.

Giving that commodity a real boost is Baltimore’s skilled ILA longshoremen. Rolled paper is not easy to handle at seaports since it is easily damaged. Baltimore’s longshoremen have years of experience. Plus it has one of highest producing container terminals on the East Coast. White claims the Port clearly outperforms the Ports of New York/New Jersey, Norfolk and Philadelphia by doing 37 to 38 container picks per hour.

“Trucks spend less than 30 minutes at our container terminal, whereas ports like New York/New Jersey and Virginia take two hours to turn a truck,” he says. “Our longshoremen hit all cylinders when it comes to labor and handling at the Port. They are very productive and turn ships quickly. That’s worth its weight in gold.”

Steamship Lines Add Strength

Baltimore also benefits from the strength of its steamship line customers. Hapag Lloyd Line commenced new service to Baltimore in the first quarter 2012. MSC, which calls on the Port with five ships a week servicing five trade lanes, is its largest steamship customer.

“They will probably break 200,000 containers this year,” White reveals. “This would be a first for MSC and for us.”

Back in 1990, MSC was the first steamship to call at Baltimore’s Seagirt Marine Terminal. That year they did 9,000 containers. “They’ve experienced tremendous growth,” White says. “They are a well run company and speak big volumes for us.”

Right behind MSC is Evergreen, which White anticipates will do 120,000 containers this year through Seagirt. The service, which comes from the Far East via the Panama Canal, is currently limited by vessel size, but White anticipates great growth from them as well.

“Evergreen has told us that once the Panama Canal expansion project is completed, it is planning to put a vessel capable of carrying 8,000 containers on that run,” White says. “Today we have about a 3,800 TEU ship.”

Reading the Tea Leaves

But as the world economy goes, so goes ocean transportation, and White detects that the signals today are not good. “I think we have some foul weather in front of us,” White projects.

His reasons: Brazil is struggling with rampant inflation that should top around 6 percent this year coincided with a GDP of around 3.5 percent. “They were in double digits this past year,” he comments.

Add to this the economy in India is slowing.

China, which was red hot for last the last three decades, is slowing to a projected growth of 7.2 percent. “We are watching that closely,” he says. Nevertheless, White believes that market still holds good volume for Baltimore, particularly since the port is served by MSC’s Golden Gate rotation that handles about 85,000 containers a year.

Meanwhile, White predicts certain trade lanes will remain strong. Among them is the Middle East where automobiles are strong.

“I truly believe that the cars in the United States will have another good year for both importing and exporting,” he predicts. “I think that once you crank up auto manufacturing, it’s going to have momentum for another next four or five months.”

White also predicts a strong year ahead for coal and that it will continue to run around 19 million tons. The reason: U.S. power plants are switching to gas fire so most coal is exported. While much of that coal is for overseas power generation, 20 percent goes to Korea for auto manufacturing.

Two facilities at Baltimore handle coal, but have only one dock each.

“But they run 24/7, 365 days a year,” he says.

Baltimore’s European market for ro/ro has also been skyrocketing, and is up about 36 percent this year overall for imports and exports.

“We may see some slowing in construction equipment because governments are not fusing cash to stimulate economies,” White remarks. “But if Italy or Spain decides they want to infuse their economy by adding government projects, then we will see larger demand for road and construction equipment. That could be the silver lining in that dark cloud."

Crowning Star

Without a doubt, the crowing star of the Port of Baltimore is its Seagirt Marine Terminal, the port's primary container facility. White attributes Seagirt for attracting Hapag-Lloyd AG, which chose Baltimore over other East Coast cities as its first U.S. stop for direct shipping from Northern Europe after a long courtship by Maryland officials and private business leaders.

The service, which began in February, boosts container traffic at the port by roughly 10 percent.

Seagirt is operated by Ports America Cheaspeake, with whom the MPA signed

a 50-year lease in 2010. It's the terminal where MSC and Evergreen also call. Those carriers have approximately seven years remaining on their contract.

In June, Seagirt welcomed the arrival of four massive container cranes ready for installment on its newly constructed 50-foot container berth. The Super-Post Panamax cranes, which are capable of reaching 22 containers across on a container ship and lifting 187,300 pounds of cargo, add to the many reasons the Port of Baltimore is a seaport to be contended with.

Prior to the arrival of the $50 million investment in the new cranes, Seagirt had seven Post Panamax cranes capable of reaching 18 containers across a ship. The new Super-Post Panamax cranes are expected to installed and operational by September.

Construction on Seagirt's new 50-foot container berth was completed earlier this year. This makes the Port of Baltimore only one of two East Coast ports to have a 50-foot berth and 50-foot channel, two key factors in being able to attract some of the largest container ships in the world.

Ports America, which issued a check to MPA for $140 million when they signed their contract, has invested $100 million in two-and-half years in Seagirt.

Looking Forward

While White worries that the direction of the world economy may be shifting downward, he sees increasing attributes for the Port of Baltimore. One is CSX's National Gateway project, a double stack intermodal system that has the potential of making Baltimore more competitive than in the past for discretionary cargo.

"I think the big benefit will come from Asia freight that is discharged on the West Coast and railed across to the mid Atlanta," White says. Improved rail service on the East Coast, combined with the expansion of the Panama Canal, will make bringing this freight to Baltimore more competitive.

Other big benefits include shipping this cargo direct to the Port of Baltimore which sits on the doorstep of the Baltimore-Washington corridor -- the third largest consumer market in the United States.

"Right now 3.5 million TEUs of international containerized trade come into our region," White says. "Of this, only 500,000 TEUs come by water. The other 3 million TEUS flow in and out of our region from New York, with the lion's share coming from West Coast. When you look at the price of taking a container by rail from the West Coast to the East Coast, it's about $2000. The big ships can come through the Panama Canal here to the third largest consumer group in the country for a $150 truck move. There's tremendous cost savings there.

For now, the port has not realized any benefits from the National Gateway project.

"That's because we do not have off dock double stacking," White says.

But CSX is proposing to build an intermodal facility on other side of Baltimore's Howard Street Tunnel that would be able to handle double stack.

"Since the tunnel can only accommodate single stack containers, CSX is proposing run single stack from Seagrit through the Howard Street Tunnel, then build an intermodal facility on the other side of the tunnel and top it off with domestic intermodal containers moving to the Midwest," White explains. "This would give them double stack pricing from Maryland. If priced competitively with Norfolk, we would be back in discretionary cargo game."

Baltimore partnership pleases Ports America's Montgomery
By Paul Scott Abbott, AJOT
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Mark Montgomery, president and chief executive officer of Ports America Chesapeake, has reason to be proud of the public-private partnership of his firm with the Maryland Port Administration for the operation of the Port of Baltimore's Seagirt Marine Terminal.

In an exclusive interview with the American Journal of Transportation, Montgomery shares how he believes the proverbial stars have aligned in bringing about a partnership for efficiently bringing increased container volumes through Baltimore, propitiously timed with Panama Canal expansion and the public-private National Gateway rail infrastructure project.

First, Mark, let me congratulate you on your recent receipt of the 2012 William Donald Schaefer Industrialist of the Year Award from the Baltimore Museum of Industry. The award recognizes visionary business leaders distinguished by their innovative approaches, and the public-private partnership of Ports America Chesapeake with the Maryland Port Administration for operation of the Seagirt Marine Terminal certainly is innovative. Can you please share a bit about how this P3 came about and why it is proving successful?

Ports America or its predecessor companies have been in Baltimore since 1921, so it's been a port that we've been committed to, and we've been operating Seagirt since it opened [in 1990]. When Seagirt was built, three berths were completed, and Berth 4 needed to be finished to allow for deep water up to the berth and allow for a 50-foot berth, and the state did not have the funding at the time.

So the port went out on an RFQ [request for qualifications] to seek interested parties. Obviously, as the incumbent, Ports America got involved, and all of that started happening in 2009. It gave an opportunity for us to invest in the port, and we've been committed here for many years and believe in the economic model that has been in the Port of Baltimore.

If you take Baltimore, Washington and Northern Virginia, it is the third-largest consumer market in the country, so Ports America has been committed to this region. We're a big employer. We provide 70 percent of the ILA [International Longshoremen's Association] workforce in the port to both ro/ro [roll-on/roll-off] customers and container customers.

Baltimore is a niche port, but we see great opportunity with the 50-foot draft that the [Chesapeake] Bay has. We're water-cleared to get here and have no bridge restrictions. And, with the Panama Canal project happening, it was a great opportunity for us to invest in the facility and to continue to commit to the state of Maryland. We see it as a good economic facility for Ports America as well.

The stars were definitely aligned for the bid. The Panama Canal offers this opportunity for big-ship economics to work for the East Coast. We became the successful bidder at the end of '09 and then started operations in January 2010.

And so what is it that makes this P3 so successful?

I think the big, significant things that make the P3 super-successful are, one, that you have a government and a private industry joining together for the betterment of the facility, and then, obviously, having the project be the first tax-exempt-bond-financed facility in the port sector in the United States. That's all fantastic stuff, running through a Moody's rating and having the ability to sell a tax-exempt vehicle on the market and that being a success as well.

The financing of the deal and the innovation that was there is another significant thing – just making the deal such a success for the state of Maryland and for Ports America. And then it is really the opportunity to make Seagirt continue to be a world-class facility that it has been for 20 years, but to take the next step and get it into big-ship economics.

To follow up, how important is the Panama Canal expansion in all of this?

The way that Ports America looked at this is that we obviously are a couple years ahead of the Panama Canal expansion finishing. The wharf is finished. The cranes have now been delivered and will be operational in September, so Berth 4 will come online. Obviously, we have Suez Canal vessels that come to Seagirt today. A 9,200-TEU MSC vessel comes to Seagirt today through the Suez Canal, but it does then open the door for vessels that are going to travel through the widened Panama Canal to come to the East Coast, and we become the second port to actually have 50 foot of water and super-post-Panamax-class berth and cranes to be able to handle the big ships.

That's one of the things that we see, as the carriers start looking at ports that can handle the big ships, obviously the market is very strong here. We are miles up the bay, and we actually see that as a possible positive as well, related to carbon footprint as America continues to go green. By bringing the ships closer to the market, there's actually a benefit to carbon footprint and reducing truck miles, which reduces cost of infrastructure for the country. So there are lots of benefits that we think bringing the ships closer to the consumers have in the long-term plan for America.

<>And addressing environmental concerns is pretty much part of everything that is done in the industry these days...

Absolutely. The berth itself was built with a new stormwater management system, with $1 million put into managing stormwater runoff into the bay, making sure that it's as clean as possible. And then, in regard to carbon footprint, Ports America runs all Tier 3 or Tier 4 engines that are environmentally ahead of the standards in Baltimore. And the cranes have been ordered to look at that next generation of running economically and environmentally clean for the state and for us.

So those are big steps that we were able to do in this investment, is look at that whole picture and put together a world-class berth that looks ahead in the next 20 to 25 years.

It's also worth mentioning that the National Gateway project is to come online as the expanded Panama Canal opens. It offers Baltimore the opportunity to double-stack trains, alleviating what has always been one of the bottlenecks for us.

The stars are definitely aligned with the widening of the canal and the berth project and the National Gateway project all in place and ready for the end of '14, as carriers start looking at where they bring their ships. As carriers are ordering bigger ships and as those vessels run to the East Coast, they've got a place to come that's closer to the consumers.

One of the recurring themes for marine terminal operators would seem to be the need to continue to do more with less. How do you see this being accomplished?

At the same time that we're building the berth and the physical infrastructure, we've worked with the ILA in Baltimore and have adapted the gates with technology – optical-character recognition – to help expedite the processes through. The gains in technology that we get and the agreement with the ILA here to have Baltimore both grow its berth-side and its yard layout but also then gain at the gates with the technologies that have been put in, which allow for all of that truck movement and for us to grow through the same footprint, in consolidation with rubber-tired gantry cranes on dock and continuing to consolidate and densify in the yard as well.

Those pieces allow us to continue to grow and put us in a place where we can double our capacity and still operate efficiently. One of the things that's a key for Baltimore is the productivity that we do on vessels and gate. Related to ships coming here, we do 37 moves an hour, and so that's a standard that's very important. When you travel up the bay, you need to know you can have those cranes come down and produce for us, and the International Longshoremen and the Port of Baltimore understand the importance of productivity on the vessels. So there's a good working relationship of moving boxes off and on, and we are one of the most productive ports on the East Coast.

How is it that you've been able to get technology and labor – things many see as at loggerheads with each other – to meld?

That’s actually a really good question. In the current contract, from 2006, Ports America and the International Longshoremen came to agreement on the technologies that were put in. Actually, Baltimore was the first site to put in a piece of technology underneath the master contract, and it was a small piece of technology, not a big project like the Norfolk project, but it matches up both being able to gain efficiencies at particular portions of the facility and utilizing the skilled longshoremen that we have to produce on the dock itself. I think having that agreement in place really does help labor relations.

I know you, like me, have been working in this industry for about a quarter of a century. Over that time, we’ve seen a lot of changes in the industry. If you were able to crystal-ball out another 25 years, when hopefully both of us will have retired, where do you see things going? Do you see more P3s?

I think there’s definitely an interest where the private sector and the public sector can work together to have capital resources that come from the private sector to help, so I would think that there will be more P3s that will happen, not only in the port sector but in the infrastructure sector of America. It obviously can help the country.

What we’re seeing from the Seagirt deal is that this was a very good deal for all the stakeholders, that we’re all winners in this. So the right P3s can be very valuable to the nation’s growth in infrastructure projects, and I think there is really an attention that is being put on this, and the Seagirt deal was one of those that sort of magnified how parties can work together. So I do see that that relationship of the private sector and public sector working together will continue to grow.

In wrapping up, you certainly have long been regarded as a leader in the industry. What is there about Mark Montgomery that people should know that they may not from their professional contact with you?

Well, I guess the piece that is an extremely important part of thinking of myself as the president and CEO of this business is also the outreach to the community that Ports America has in the Port of Baltimore. We are extremely involved in inner city schools and counseling of kids and reaching out to our community so that we’re good corporate citizens. And I don’t think that we get enough credit as an industry for that type of stuff. So, particularly, I would say that one of the things that I’m most proud of is the ability to outreach and help the city and the county that we operate in and then the state itself.

We’re out doing all types of things, raising money for children. We work with the Maritime Industries Academy here in Baltimore, which is an inner city school directed toward maritime, and the Dundalk Youth Services Center, a group in the Dundalk community where the port sits that counsels kids who are in need but don’t have financial support for counseling.

There’s a load of different organizations through which we are reaching out and being the good corporate citizen as well, and so I’m really proud of those efforts that are the humanitarian side of being in a position like this.