

Maryland Port Commission
Open Session Minutes
July 7, 2020

The Three Hundred and Sixty Seventh Session of the Maryland Port Commission was called to order at 9:05 am by Secretary Greg Slater via teleconferencing. The Commission met in Open Session from 9:05 until 10:13 am.

Present: Secretary Slater and Commissioners Dandy, Dean, Huber, Lunn, McDonald and Richardson.

Staff: Dave Thomas (Acting Executive Director), Bob Munroe (MPA Principal Counsel), Richard Scher (Director of Communications), Richard Powers (Director of Marketing), Mike Miller (Director of Maritime Commercial Management), Wonza Spann-Nicholas (Director, Finance), Kristen Fidler (Director of Harbor Development), Dominic Scurti (Deputy Director of Planning), Steve Johnson (Director of Engineering), David Espie (Director of Security), Brian Miller (Director of Operations), Jennifer Guthrie (Legislative Manager), Brad Smith (General Manager, Strategic Initiatives), Joe Marecki (Marketing), Trisha O'Neal (Procurement) and Christina Nichols (Executive Office)

Public: Holden Wilen, Baltimore Business Journal

Secretary Slater stated due to the COVID-19 situation, this meeting is being conducted exclusively by conference call. The public is welcome to call in to listen to the Open Session of this meeting; however, there will not be an opportunity for public comments or questions. He instructed the attendees from the public who may have a question regarding the matters deliberated by the Maryland Port Commission during this meeting to email their question to cnichols@marylandports.com following the meeting and include with their question their name, affiliation, and agenda item that they have a question concerning, and an answer will be provided.

Minutes of the Three Hundred and Sixty Sixth Open Session Meeting

Commissioner McDonald moved to approve the Open Session Minutes of the Three Hundred and Sixty Fifth Port Commission meeting with the following correction: add Commissioner McDonald to the closing statement for the June 2, 2020, Closed Session meeting. Commissioner Richardson seconded the motion with the change. The minutes were approved unanimously to include the change to the June 2, 2020 closed session closing statement.

COVID-19, Dave Thomas, Acting Executive Director

Mr. Thomas reported the Port of Baltimore continues to push forward during the COVID-19 pandemic. The Port has remained open for business for all cargo operations throughout this ordeal. Ports America Chesapeake continues to adjust the operating hours of the Seagirt Marine Terminal. These changes have been due to lower international container volumes. MPA public marine terminals have continued to operate regular hours for delivery and receipt of cargo.

The entire maritime industry continues to see the impacts from the virus. The Port of Baltimore continues to experience lower cargo volumes. MPA most recent number from May show that general cargo at the state-owned public marine terminals was down nearly 11%, autos were down 34%, ro-ro was down 29%, and containers were down 8%. We are cautiously optimistic however that we are going through the worst of the decline right now. We expect our June numbers to be similar to the May numbers, but we are hopeful that by September we will start to see improvement.

Our MPA senior management staff has continued to work closely with our terminal operators and customers throughout this crisis, attempting to help them through any issues. We also continue to collaborate regularly with ILA leadership, the STA, BPA, USCG, and CBP, as we navigate through these unprecedented times.

Recently, the CDC extended its No-Sail Order for all cruise lines until September 15. Our cruise terminal also remains closed as a result of an Executive Order signed by Governor Hogan in March. Although September is the target start date for cruises, that obviously depends greatly on where we are as a country and the world health-wise. We continue talking regularly with both Carnival and Royal Caribbean. They are both hopeful of restarting cruises from the Port of Baltimore as soon as possible but that certainly depends on the CDC and Governor Hogan lifting his executive order.

The majority of MPA employees are teleworking. We have continued with a skeleton crew of Operations and Security personnel reporting to the terminals each day. Our senior staff continues to work with MDOT on return to work plans. The health and safety of our employees is the most important thing. MPA is making changes to work areas in preparation for the safe return of our employees including plexiglass and physical barriers, ingress and egress changes, and enhanced health and distancing signage.

Mr. Thomas thanked MPA employees for their hard work during his time as acting executive director, most of it during the COVID period, he commented on how resilient, professional, and flexible MPA employees really are.

Secretary Slater thanked Mr. Thomas for performing as Acting Executive Director of the Maryland Port Administration during these difficult times.

Container Industry Outlook, Bayard Hogans, Ports America Chesapeake

Mr. Hogans gave a presentation on the industry outlook concerning container traffic. Highlights of Mr. Hogans presentation included:

- Container Blank Sailings
 - A total of 28 sailings, or 6.3%, to be withdrawn on the Transpacific, Transatlantic and Asia-North Europe/Mediterranean trades through July 2020.
 - On the Transpacific trade for July, a total of 5.2% of the sailings are cancelled.
 - Carriers are starting to return capacity to the Transpacific as lockdowns across many countries are eased and a recovery in demand is underway.

- Vessel Orderbook and Capacity
 - Containerized trade is expected to decline by -14% in 2020 with a recovery beginning in 2021. Volumes are forecasted to be back to 2019 levels in 2022 and estimated to grow by ~3% after that.
 - The inactive containership fleet reached a peak at the end of May decreasing from 3 million teus to 2.61 million teus and is expected to continue its downward trend in the foreseeable future.
- Freight Rates, Bunker and Carrier Financials
 - Drewry forecasts 2020 freight rates across global trades are expected to rise 3% while East-West rates are forecast to increase 4.5%.
 - Carrier discipline efforts via blank sailings and lower fuel costs is expected to generate \$9 billion in carrier profits in 2020.
- Trade Tensions, Sourcing Strategy
 - Trade tensions with China remain an important topic. Progress made in Phase 1 of the tariff discussions remain in flux.
 - The global pandemic has exposed frailties in the long-distance supply chain. Manufacturers and shippers continue to adapt, and are likely to strengthen diversification strategies, switching production from China to other countries (Vietnam, India, Malaysia or even closer to home).
- Retailers Increase Sourcing Away from China Towards Southeast Asia
 - U.S. containerized imports from China in first quarter 2020 declined -21.5% from first quarter 2019 as sourcing from U.S. companies gravitated elsewhere, U.S. imports from Asia, with China excluded, increased +12.2%.
 - As U.S. imports gravitate to South Asia, U.S. East and Gulf Coast ports are better suited geographically for trade volumes that move via all-water services transiting the Suez Canal.
 - Containerized imports from Asia in first quarter 2020, excluding China, increased 16% to the East Coast, 29% to the Gulf Coast, and 9% to the West Coast.
- GDP Growth Forecasts
 - As a result of COVID-19, economists expect a hard hit to the U.S. and Global economies; several leading Wall Street firms have stated they expect the U.S. to fall into a recession, ending the longest-ever economic expansion on record.
 - Without any sort of historical precedent upon which to base analysis, putting hard numbers into a forecast comes with greater-than-usual uncertainty.
 - Based on leading economic institutional forecasts, FY20 global GDP is projected to contract approximately -1.9% to -2.5%, while U.S.GDP is estimated to plummet by -3.3% to -6.2%.

Mr. Hogans commented that without the global steamship alliances in place the container market would be in much worse shape and he predicts to see a rebound start happening in July. Mr.

Hogans estimates the maritime industry will not get back to 2019 level numbers until approximately 2022.

Return to Work (R2W) Presentation, Mike Miller, Director of Maritime Commercial Management

Mr. Miller reported on activities surrounding preparing the MPA worksites for eventual return to work and teleworking activities. Highlights of Mr. Miller's presentation included:

- Governor's Stay at Home Order – March 2020
 - Private sector tenants encouraged to telework
 - Essential Business only
 - Mandatory telework for state employees that can telework
- Adjustments to day to day
 - Terminals remained open
 - World Trade Center remained open
 - Staff continued to perform duties as required
 - Using Teams Meeting environment in addition to traditional email and telephone communications.
- Security Guards will continue to screen every person entering the World Trade Center
 - Screening is mandatory for building admittance
- Property management has requested be notified if any occupants test positive for COVID-19 or if anyone falls ill while in the building and it is suspected to be COVID-19 the person will be asked to leave immediately, contact notification will immediately commence to alert occupants to potential exposure, complete sanitation of effected area and all common areas.
- Cleaning procedures at the World Trade Center
 - Day time porters clean all high-touch points Monday through Friday.
 - Nighttime cleaning crews use EPA approved disinfectants for effectively killing coronavirus on surfaces.
- World Trade Center Building Signage
 - Friendly reminder signs are placed throughout the building.
 - Directional signs help maintain new recommendations.
 - Main lobby procedures
 - New traffic patter to facilitate one-way direction through lobby and minimize cross traffic.
 - Extra hand sanitizers installed.
 - Lobby furniture has been minimized and spread out.
 - Plexiglass shields were installed at security stations.
 - Elevator Procedures
 - To encourage social distancing, the following steps have been taken in both lobby elevator areas.

MPA staff continue to evaluate this developing situation and anticipate modifications to the return to work measures and will continue to communicate with building occupants as the situation evolves.

Contracts for Approval, John Thornton, Manager of Procurement

Contracts 217045A-IT and 217045B-IT – Geographical Information System Services, Renewal No. 1; Johnson, Mirmiran & Thompson, Inc. (217045A-IT), and Rummel, Klepper & Kahl, LLP; Term: 01/08/2021 – 01/07/2022; \$1,000,000 per contract (\$2,000,000 grand total, both)

Motion to approve made by Commissioner McDonald, seconded by Commissioner Richardson and approved unanimously by the Commission.

Contract 220020-S – Planning and Economic Consulting; John C. Martin Associates, LLC; Term: 9/1/2020 – 8/31/2025; \$612,000.

Motion to defer until the September 1, 2020, Maryland Port Commission meeting to allow incoming Executive Director William Doyle time to review made by Commissioner Richardson, seconded by Commissioner McDonald and approved unanimously by the Commission.

Contract 219047-IT – Project Management; DK Consulting LLC; Term: 08/13/2020 – 08/12/2025; \$1,058,553.60.

Motion to approve made by Commissioner Richardson, seconded by Commissioner Lunn and approved unanimously by the Commission.

Contract 517006 – Berth 11 Deck Upgrades at Dundalk Marine Terminal; Marine Technologies, Inc.; Term: 08/02/2020 – 08/01/2023; \$9,484,950.

Motion to approve made by Commissioner Dean, seconded by Commissioner Lunn and approved unanimously by the Commission.

Adjournment

There being no further business, a motion to adjourn was made by Commissioner Dandy and seconded by Commissioner Huber. The motion carried unanimously. The meeting adjourned at 10:13 am.