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2012 U.S. PORT UPDATE:

Full steam ahead

The Panama Canal expansion isn't the only factor driving infrastructure improvement efforts. Count population growth, increased exports, new trade agreements, global competition, and shifting trade lanes as other elements pushing aggressive U.S. port investment and expansion.

By **Patrick Burnson**, Executive Editor

According to Kurt Nagle, CEO of the American Association of Port Authorities, a few important details are often missed when discussing the much anticipated Panama Canal expansion.

For example, he's quick to point out that this development will not only better enable eastbound cargo to reach Gulf, Atlantic, and Great Lakes ports, but it will also encourage more east-west cargo flow by enabling larger ships from parts of Europe, South America, and Africa to more easily reach U.S. West Coast ports.

"Additionally, West Coast ports are also actively looking to compete by investing in their infrastructure and keeping rail rates competitive," Nagle says. "In 2010, West Coast seaports served more than 190 million consumers, or 63 percent of the total U.S. population, and are expected to serve more than 220 million consumers in 2030."

Nagle also notes that as cargo volumes continue to rise, the expansion of the Panama Canal may serve as a "relief valve" by providing access to alternative seaport regions when cargo volumes periodically reach their peak during particularly busy times of the year. Meanwhile, ports on all coasts are readying themselves for projected growth based on a number of factors currently unfolding.

East Coast investment on track

Zepol Crop, a leading trade intelligence company, reports that the Port of New York/New Jersey saw a 2.6 percent increase in containerized imports in 2011 and is forecasting sustained throughput for 2012.

This explains why the New York/New Jersey plans to invest approximately



\$230 million this year. One major area of focus in 2011 was to greatly enhance the port's existing internal road network. Work began to widen McLester Street in the Elizabeth-Port Authority Marine Terminal and to widen and realign Port Street and Brewster Road.

In addition, the Port Authority continues to work on the 50-foot harbor-deepening project that's now 80 percent complete and continues the development of its ExpressRail intermodal system. These projects are all designed to provide unimpeded ocean and landside access capacity to and from the port for the expected future growth in cargo.

Last June, the Port Authority also reached agreement on a restructured lease with Port Newark Container Terminal that will provide \$500 million in private capital investment to upgrade the existing facility into a state-of-the-art terminal. "This will guarantee an annual increase in cargo container volumes from Mediterranean Shipping Company, the world's second largest shipping company," says Port Commerce Director Richard Larrabee. "We're preparing for the future cargo growth we expect to receive, and the economic activity it will generate."

The Port of Baltimore continues to demonstrate tremendous progress despite a challenging global economy. Buoyed by a strong year in 2010, it now ranks 11th nationally (up from 12th) for the total dollar value of cargo and 13th (up from 15th) for



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the amount of cargo tonnage handled, according to recent statistics released by the U.S. Census.

And the news just gets better for 2012. Hapag-Lloyd, the world's fifth largest container company, has launched a direct, weekly container service from North Europe to the port. Baltimore, which is positioned within the third-largest U.S. consumer market, is now the first U.S. port of call for this service. The new business is expected to bring about 30,000 containers annually through the gateway.

Maryland Governor Martin O'Malley praises public-private partner, Ports America Chesapeake, for "playing a vital role" in attracting this new business. "It demonstrates that our continued investment in the port of Baltimore is the right path to follow," he says.

Ports America Chesapeake provides stevedoring and terminal services at Seagirt Marine Terminal, which has access to the CSX National Gateway. Seagirt Terminal is also constructing a 50-foot

berth and purchasing four super Post-Panamax cranes. According to terminal officials, the berth is ahead of its original schedule and will be finished in August 2012, two years before the completion of the Panama Canal expansion.

Southern Advantage

Like NY/NJ and Baltimore, the Port of Miami is also benefiting from importers' desires to service the large population and consump-

U.S. Containerized Imports for Specified Ports, In TEUs				
U.S. PORT	2009	2010	2011	% CHANGE FROM 2010 TO 2011
Los Angeles, CA/Long Beach, CA	6,166,163	7,206,919	7,226,856	0.28%
Newark, NJ/New York, NY	2,325,581	2,672,228	2,742,564	2.63%
Seattle, WA/Tacoma, WA	1,121,648	1,430,927	1,297,806	-9.30%
Savannah, GA	907,291	1,086,132	1,097,917	1.09%
Oakland, CA	667,585	778,414	782,511	0.53%
Miami, FL	306,613	337,548	359,970	6.64%
Baltimore, MD	232,291	281,423	303,973	8.01%
New Orleans, LA	76,632	79,393	89,159	12.30%

SOURCE: ZEPOL



tion markets on the East Coast via all-water East Coast routings from Asia. According to Kevin Lynskey, the port's assistant director, importers are also diversifying their inbound strategies in order to minimize potential disruptions to their supply chains. This enables them, says Lynskey, to take advantage of the shifting manufacturing points of origin from China to Southeast Asia, India, and Latin America.



“Miami will be the closest U.S. port of call to the Panama Canal, and will be the only port south of Norfolk to be at 50 feet, which is the water depth that the ocean carriers will use to evaluate which ports they route the larger and more economic vessels to,” says Lynskey. “Port Miami will also have on-dock rail service through Florida East Coast Railway (FEC).”

Lynskey adds that given the margin pressures that importers are facing in today's economic environment, Miami and FEC will be in position to significantly reduce transportation expense, inventory investment, and carbon emissions.

Late last year, when U.S. Secretary of Transportation Ray LaHood met with *Logistics Management (LM)* in Atlanta to receive our 2011 Logistics Executive of the Year Award, he paid a special visit to the Port of Savannah to see how its expansion plans were coming along.

“The harbor expansion project is critical,” LaHood told *LM*. “Savannah is the fastest growing and fourth largest U.S. container port today.” He noted that with 44 percent of the U.S. population served by the Port of Savannah, the ocean cargo gateway is a natural for first inbound vessel calls. But other officials point out that infrastructure improvements will benefit outbound sailings as well.

Georgia Port Authority Board Chairman Alec Poitevint reports that Savannah's export volume grew 12 percent in 2011 and represented 53 percent of its overall volume. “Export commodities translate into new jobs for our entire region,”

“The [Savannah] harbor expansion project is critical. Savannah is the fastest growing and fourth largest U.S. container port today.”

—Ray LaHood, U.S. Secretary of Transportation

Poitevint says. “And balanced trade will continue to drive development and commerce throughout the Southeast,” he says.

Last month, the port began work on a 6,000-foot extension of the Mason Intermodal Container Transfer Facility. This project, designed to add more than 4,000 linear feet of rail track at two rail yards serving CSX and Norfolk Southern, will be an intermodal link for the port's Garden City Terminal. Last year, intermodal container transfers reached record levels, Poitevint adds.

Gulf Growth

Enhanced intermodal projects are underway in the Gulf port of New Orleans as well thanks to U.S. Department of Transportation's popular Transportation Investment Generating Economic Recovery (TIGER) grants program.

Currently, the money is being spent on rebuilding a specialized rail yard at the Louisiana Avenue terminal along the Mississippi River. The overall project has two components: construction of a new 12-acre freight rail intermodal terminal; and resurfacing and fortifying a four-acre storage yard that is used for ultra-heavy project cargoes.

The project's objective is to reduce congestion, facilitate the movement of marine and rail cargo, stimulate international commerce, and maintain an essential port asset in a state of good repair. “The timing for such a project for New Orleans could not be better,” says Walter Kemmsies, chief economist for Moffatt & Nicol, a port consultancy. “We anticipate a surge in demand for U.S. agricultural exports over the next 10 years; and if New Orleans did not get something underway now, it would risk losing business to neighboring ocean cargo gateways.”

At the same time, Port of New Orleans officials are hailing Louisiana's Congressional delegation for their efforts to direct vital maintenance dollars to

the U.S. Army Corps of Engineers to restore the Lower Mississippi River deep-draft channel to its authorized dimensions.

“This is tremendous news not only for the Port of New Orleans and the local maritime community, but for the growers, producers, and manufacturers in the 32 states that depend on the Lower Mississippi River to get their goods to global markets,” says Gary La-Grange, the port’s president and CEO.



Enhanced intermodal projects are underway in the Gulf port of New Orleans thanks to the U.S. DOT’s popular TIGER grants program.

West Coast resilience

Oddly enough, exports were the big story on the U.S. West Coast, too. For the second consecutive year, the Port of Los Angeles—a huge inbound destination—experienced record-breaking exports as outbound container volumes surged 14.5 percent in 2011 compared to 2010.

Furthermore, imports also increased 2.3 percent compared to the previous year. Total annual volumes, including empty containers, rose 1.4 percent. Not surprisingly, the port is investing \$1.5 billion in capital improvements over the next five years.

“Last year was our second straight year of record exports, and it’s an example of how our port is prepared to handle a shift in global trade patterns,” says port Executive Director Geraldine Knatz, Ph.D. “We continue to facilitate export opportunities through our nationally-recognized TradeConnect Program while focusing our longer-term strategies on retaining and growing our position as the nation’s busiest container seaport.”

The neighboring port of Long Beach is also positioning itself for more inbound calls. This is a good move, says Jonathan Gold, vice president for supply chain and customs policy at the National Retail Federation. “We’re headed into the slow season for cargo shipments, but forecasts indicate that retailers will be stocking up this spring in anticipation of a moderate recovery as the year progresses,” he says. “Cargo volume doesn’t translate directly into sales volume, but when retailers import more it’s because they expect to sell more.”

To that end, Long Beach is readying itself to extend its terminal lease with mega-carrier, Orient Overseas Container Line (OOCL) that represents the largest deal of its kind for any U.S. seaport. Leasing partners comprise Hong Kong-based OOCL and its U.S. subsidiaries OOCL LLC., and Long Beach Container Terminal (LBCT). The port is investing \$1.2 billion to develop the new 300-acre Middle Harbor Terminal, while OOCL

Lazaro Cardenas is a port worth watching

As if U.S. West Coast ports didn’t have enough to worry about, a new competitor is surfacing south of the border to challenge them.

Canadian and U.S. East Coast ports have been taking business away from LA/Long Beach, Seattle/Tacoma, and Oakland for several years now. Analysts suggest that there’s a number of reasons for this, but most center on efficiency and productivity.

Now the long-rumored development of the deepwater Mexican port of Lazaro Cardenas is becoming a reality as APM Terminals—a division of Denmark’s A.P. Moller-Maersk Group—breaks ground for a new \$900 million terminal.

Once completed in 2015, the port will provide shippers with a four-berth terminal linked to the Kansas City Southern Railroad.

Furthermore, as a foreign port, it’s not subject to the U.S. harbor maintenance tax. Shippers may expect an aggressive response, however, as U.S. West Coast port leaders lobby Congress for a change in existing laws regarding cross-border movement of containers. The question remains: will this be too little too late?

— Patrick Burnson, Executive Editor

and LBCT will invest approximately \$500 million in the latest cargo-handling equipment.

The Port of Oakland reached a major funding milestone of nearly \$350 million for harbor deepening and maintenance late last year, thereby enhancing its position as the third largest California seaport.

Jock O'Connell, Beacon Economics' International Trade Adviser, says he expects continued gains in California's export trade through the remainder of the year as the U.S. and world economies overcome the negative shocks that hit in early 2011.

"Oakland is the only major container port on the U.S. West Coast that exports more than it imports, with the volume of its export business at 55 percent and imports at 45 percent," he says. O'Connell adds that 2,000 container ships call Oakland each year, and many leave fully-loaded with California exports.

"Despite occasional dockside labor disruptions, Oakland has been, and continues to be, a premier U.S. export seaport for agricultural goods," adds O'Connell. "Its terminals are relatively new and uncrowded. The port is also close to California's Central Valley and the wine country. Furthermore, the port is the only U.S. West Coast gateway that has all top 20 ocean carriers providing regular service."

The two major U.S. Pacific Northwest ports—which not only compete with California but also their Canadian neighbors, Vancouver and Prince Rupert—have some reasons for remaining upbeat.

The Seattle Harbor once again handled over 2 million TEU's with 2.03 million containers moving

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—Kurt Nagle, CEO, American Association of Port Authorities

through the harbor in 2011. The record was broken in 2010 with 2.1 million TEU's. But last year marks the third year that the harbor has exceeded 2 million TEUs.

"We will continue to work with some competitive advantages," says Linda Styrk, Seattle's managing director. "We have the capacity and the facilities to handle 10,000 or more TEU container ships, we have excellent intermodal infrastructure and regional distribution facilities, and we continue to work with our customers collaboratively to keep the business here."

Several factors contribute to Seattle's increase in container volume. Exports continued to increase in 2011. The port also saw the addition of new shipping lines, services, and trade lanes while empty

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Commentary: Port of Los Angeles gets it

As part of President Obama's National Export Initiative Agenda, which calls for a doubling of U.S. exports over a five-year period, the Port of Los Angeles continues to focus on assisting businesses throughout the region.

It does this by community outreach, teaching the basics of exporting, including costs, risks, finding overseas markets, trade financing and logistics. Export workshops occur throughout the year.

While the Port of Los Angeles experienced record-breaking exports in outbound container volumes, Cali-

fornia's exporters turned in another strong performance in November, marking the 25th consecutive month in which the state's merchandise export trade increased on a year-over-year basis.

The value of goods shipped abroad by California businesses in November reached \$14.07 billion, a nominal gain of 12.7 percent over the \$12.49 billion reported in November 2010, according to an analysis by Beacon Economics of foreign trade data released late last week by the U.S. Commerce Department.

Overall, the California economy is showing strong signs of turning the economic corner. Beacon Economics' Founding Partner Christopher Thornberg, said that job growth, consumer spending, non-residential construction, and industrial vacancies have all showed signs of strong improvement in recent months.

"Much of the momentum behind California's economy can be traced back to the state's resurgent export sectors," Thornberg said. The Port of Los Angeles also deserves some credit.

—Patrick Burnson, Executive Editor

container positioning remained strong. The port maintains four world-class container terminals, with 27 cranes, 11 container berths up to 50 feet deep, along with close proximity to two major national rail hubs and two major interstate highways within minutes of all terminals for efficient truck access.

The Port of Tacoma, which recently celebrated the completion of a \$32 million extension of the Washington United Terminals (WUT) wharf on the Blair Waterway, also remains resilient. The con-

struction project added 600 feet to the terminal's existing 2,000-foot berth to support two "super post-Panamax" container cranes the terminal added in January 2009.

The 273-foot-high cranes can serve a ship 24 containers wide, making them among the world's largest. Built by Shanghai-based ZPMC, the cranes joined four others at WUT with an 18-container-wide reach. "This wharf extension provides WUT with the additional terminal capacity we need for our two largest container cranes, and allows us to

Port of Miami poised for growth

In an exclusive interview with *Logistics Management*, Kevin T. Lynskey, assistant director of the Port of Miami, offers shippers a current evaluation of this booming ocean cargo gateway.

Logistics Management: Port of Savannah, along with New York/New Jersey, are taking market share away from the U.S. West Coast ports. What role does Port of Miami have in this trend?

Kevin Lynskey: Well, the East Coast will certainly continue to take additional share from the West Coast, and Miami will be a beneficiary because of its location and water depth. Like Savannah and New York/New Jersey, Miami is also benefiting from importers' desires to service the large population and consumption markets on the East Coast via all-water East Coast routings from Asia.

LM: What impact do you project the Panama Canal expansion will have on Miami?

Lynskey: Miami will be the closest U.S. port of call to the Panama Canal, and will be the only port south of Norfolk to be at 50 feet, which is the water depth that the ocean carriers will use to evaluate which ports they route the larger and more economic vessels to.

We will also have on-dock rail service through Florida East Coast Railway (FEC). Given the margin pressures that importers are facing in today's economic environment, Port Miami and FEC will be in position to significantly reduce transportation expense, inventory investment, and carbon emissions. Importers from Asia will be able to move their goods cheaper and faster through Miami and FEC into the Southeast United States.

LM: How important is a trade agreement with Cuba for Miami? Do you see one developing in the future?

Lynskey: We make no prediction of how or when trade flows will begin with Cuba. However, we have 'gamed' the day when trade flows free and have made estimates of container movements in the near and long-term to and from Cuba. It will be a substantial trade for us, but not transformative in terms of volume for our port.

LM: Not transformative in terms of volume? Then what would be?

Lynskey: Certainly, there are several key infrastructure improvements that will attract future business. The first is the future completion of the deep dredge project that will move Miami to 50 feet of water depth—and subsequently allowing the ocean carriers to route their larger vessels to.

The economic advantages of being able to accommodate the larger vessels is significant, with estimates of a 30-percent to 50-percent container-slot fee savings being projected for the 8,000 twenty-foot equivalent (TEU) vessels versus the 4,800 TEU vessels of today. We project that our deep dredge project will be completed by the end of 2014, in conjunction with the completion of the Canal expansion.

LM: What about rail service?

Lynskey: Good question, and again, very important. In conjunction with the Florida East Coast Railway (FEC), we will be restoring on-dock rail access between the port and FEC's mainline track that runs up and down the east coast of Florida between Jacksonville and Miami.

For shippers looking to move their cargo beyond Jacksonville, the FEC has interline agreements with the other two East Coast Class 1 railroads—NS and CSX—to facilitate moves beyond Florida. This on-dock rail operation will help to expedite the freight from our port to the shippers' final destinations, and will also reduce the need to dray the goods from our port to FEC's intermodal facility.

LM: How soon will this be realized?

Lynskey: Our on-dock rail project is currently scheduled to be completed and ready for operations in the second half of 2012. Our third significant infrastructure project is the tunnel that is being constructed that will allow truck traffic from the port to bypass downtown Miami, in favor of unencumbered access to the highway system via the tunnel.

This will help facilitate the expeditious movement of truck traffic into and out of the port. Again, this will make it easier for the shippers to keep their supply chains continuously moving. We believe that the confluence of these three projects will make Miami and FEC the logical choice shippers and ocean carriers to route their freight into the Southeast and beyond.

LM: What is the fastest growing segment of your cargo operations?

Lynskey: We have had a steady mix of products over the last decade, with the major exception of construction related goods, which have obviously lost significant volume. We expect better performance in perishables for a number of reasons, and of course, the entire consumer related product growth from greater trade with China post-2014.

—By Patrick Burnson, Executive Editor



handle two container ships at the same time at our facility,” says Y.I. Song, head of Hyundai Merchant Marine America, Inc. “It also gives us greater capacity to handle additional business at this terminal and accommodate the industry’s largest container vessels.”

John Wolfe, CEO of Port of Tacoma, speaks

for many on the West Coast when he says collaboration is key: “This project is a great example of how we work together with our shipping lines and terminal operators to make investments that create additional capacity for our future growth,” he says. □

U.S. exports approaching a record pace

The United States exported \$177.8 billion in goods and services in November 2011, according to data released last month by the Bureau of Economic Analysis (BEA) of the U.S. Commerce Department.

Exports of goods and services over the last 12 months totaled \$2.089 trillion, which is 32.64 percent above the level of exports in 2009. Over the last 12 months, exports have been growing at an annualized rate of 15.9 percent when compared to 2009, a pace greater than the 15 percent required to double exports by the end of 2014.

Over the past year, the countries with the largest annualized increase in U.S. goods purchases include Turkey (45.4 percent), Panama (40.6 percent), Honduras (37 percent), Argentina (33.4 percent), Hong Kong (32.9 percent), Peru (30.7 percent), Chile (29.2 percent), Brazil (29.1 percent), South Africa (28.7 percent), and

Thailand (27.7 percent).

Furthering U.S. export growth, Export-Import Bank of the U.S. approved more than \$4.26 billion in total authorizations in the first quarter of fiscal year 2012. This total includes an estimated \$789 million in small business financing and \$16.6 million in authorizations to renewable-energy projects. Top industry sectors included aircraft, manufacturing, agriculture, services, and information and communications service providers.

According to Fred P. Hochberg, Export-Import Bank chairman and president, “U.S. exports are an integral part to driving the economy towards recovery, and we must continue to engage our partners in government and the private sector to find new and innovative ways to finance exporting of U.S. goods and services.”

—Patrick Burnson, Executive Editor