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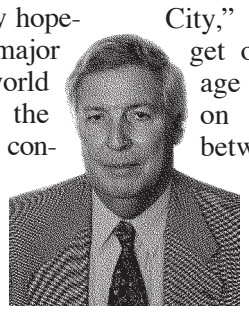
Dual container port strategy for St. Lawrence?

Port of Quebec proposing a new St. Lawrence River containerport. The Port of Montreal is in the midst of expanding its container terminals. Is there room enough for two on the St. Lawrence?

By Leo Ryan, AJOT



Build it and the cargo will come. A familiar refrain that surfaces often by hopeful advocates of a major new project in the world marine industry. In the highly competitive container terminal sector, deep water, either natural or through dredging, can be a vital asset along with location in this fast-moving era of mega-ships. But other important factors can come into play when assessing whether certain projects are logistically or economically viable – certainly the case of the recent ambitious proposal of the Port of Quebec to enter the container game long dominated by the Port of Montreal on the St. Lawrence River.

Some four decades ago, CP Ships (now part of Germany's Hapag-Lloyd group) dropped its North Atlantic container service with the Port of Quebec in favor of Montreal, which is more than 1,000 miles from the Atlantic Ocean. In rapid fashion, Montreal emerged as Canada's leading container hub on the East Coast – today handling 1.5 million TEU - while Quebec City has focused virtually exclusively on bulk shipping. It is also a superb destination for cruise operators.

A recent surprise announcement by the Port of Quebec to establish a container terminal stunned St. Lawrence River maritime circles (including the Port of Montreal). It also confounded Canadian consultants well versed in the special features and challenges of the continental waterway that allows ocean carriers to penetrate deeply into the industrial heartland of North America.

Quebec's Surprise Plan

Last December, Mario Girard, president and CEO of the Quebec Port Authority, unveiled a plan to build a container terminal at the deep-water port aimed at boosting the competitiveness of the St. Lawrence gateway with U.S. East Coast ports accommodating much bigger ships (with capacities above 10,000 containers) since the 2016 enlargement of the Panama Canal.

He affirmed that the Port of Quebec, with its water depth of 15 meters [49.2 feet] at high tide (compared to Montreal at 11.3 meters [37-feet]), was strongly positioned to capitalize on the changing landscape of commercial shipping. "Quebec City," Girard said, "must get on board and leverage its strategic location on the shortest route between Europe and the St. Lawrence-Great Lakes region, which is home to over 40% of the U.S. manufacturing industry."

Worth recalling is the fact that there was no mention specifically of the Port of Quebec as a container player *(**STRATEGY** – continued on page 3)*

Aerial view of the bustling Port of Montreal targeting expanded container facilities.

Artist rendering of ambitious container terminal project of Port of Quebec.

*(**STRATEGY** – continued from page 2)*

when the provincial government unveiled its ambitious Quebec Maritime Strategy in 2015. The over-arching goal was to develop Quebec Province as "the mega-hub of transatlantic trade."

Much emphasis and government financing support subsequently flowed to the Montreal region as Quebec's leading port, intermodal and industrial cluster arguably best placed to reap the benefits of such developments as the Canada-European Union free trade agreement in force since last September.

Costing an estimated C$400 million (US$309.74 million), the proposed terminal at the Port of Quebec, with nominal annual capacity of 500,000 containers, would be the revised principal feature of the Beaufort 2020 expansion project that was originally designed as a multi-purpose facility. The terminal would extend the port's wharf line by 610 meters, connect with existing road and rail networks, and house a 17-hectare container yard.

"The Port of Quebec has many merits, but not for containers," asserts consultant Brian Slack. "Logistics-wise, the container project does not make sense. A lot is going on globally revolving around the myth of mega ships of 20,000 TEU. It is far from reality, at least as far as North America is concerned."

"What is striking about Montreal is its status as a destination port with the full discharge and load: you are typically bringing 4,000 containers in and you are taking 4,000 containers out. Now that is as good as you are going to get on any U.S. East Coast port where vessels make multiple stops.

"Try and find a port that can give you a turnaround of up to 8,000 TEUs. That's pretty good going. Montreal is, in fact, a unique business model, with direct container services of small or what you could call medium-sized vessels."

The Montreal Model

Other key features of the Montreal Model: the short dwell time of containers on docks (averaging 1.8 days) and two train days from Chicago. (However, as this edition was going to press, the Port of Montreal was working to reduce persistent truck congestion problems that began several weeks ago amidst the strong growth in container volume. Truckers have experienced wait times of three to four hours, prompting some haulers to charge shippers up to C$75 per waiting hour at terminal gates. While the port is investing in various fluidity projects (including connecting roads), extension of gate hours was being considered.)

In addition, Slack points to Montreal's excellent intermodal connections with its core markets in Central Canada and the Midwest whereas Quebec has "an important rail connectivity issue. The Quebec box terminal at its location would need to be linked by shortline to the main CN line on the South Shore. If feasible, it could be very expensive.

"For Midwest traffic, there is rising competition from CSX and Norfolk Southern who are improving their services to the East Coast."

Professor Claude Comtois, a transportation/logistics expert at the Université de Montréal, questions the viability of a 10,000-TEU container ship calling at the Port of Quebec. He points out that the Port of Quebec represents too much of a detour (more than a thousand nautical miles) to warrant

*(**STRATEGY** – continued on page 13)*

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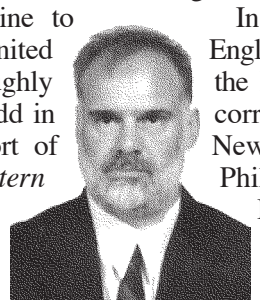
Prosperous Northeast and New England

The Northeast is one of the world's great economic regions. The region's GDP is climbing. And a trend is emerging – corporations moving from the suburbs back to the city. Will this trend be a generational change or challenge?

By George Lauriat, AJOT

Wealth & Power. The Northeast is one of the world's great economic regions. Running from Maine to Maryland, the Northeast United States corridor represents roughly 20% of the nation's GDP. Add in Eastern Canada and the Port of Montreal *(see Leo Ryan's Eastern Canada article on page 2)* and the size, strategic location and economic importance of the North American Northeast is further enhanced.



At night from the air, the lights from the cities in the Northeast seemingly blend together in a long shimmering chain from Boston to Baltimore. The coastal river of lights reflects the density and non-stop activity of the region.

The region stretches roughly 800-miles, north and south, which pins most of the economic activity to metro regions along the Atlantic coast.

Broken into key metro regions, the economic power of the Northeast comes into focus. The greater New York city region, which spreads over three states, has an estimated GDP of $1.5 trillion. The greater Boston area has an estimated GDP of $382 billion while Philadelphia is ranked with $381 billion. The greater Washington DC (District of Columbia) region (which includes Baltimore) checks in with a GDP of $391 billion. Any one of these metro regions has the economic mass of a medium sized nation. Collectively the region is on an economic par with Japan – an economic superpower.

Competitively, the New York/New Jersey region is the greatest draw – often considered the financial center of North America - but nearly all the metro regions compete for the attention of businesses regionally, nationally and internationally. And it's not just economics. Washington DC is the center of the political life of the nation. When something happens inside the Beltway – as it does so regularly these days – the impact ripples outward like waves from a stone dropped in a pond. It is this combination of economic "wealth" and political power that so uniquely defines the Northeast region.

New England and the Northeast

New England is a bit of an outlier from the rest of the Northeast. And the difference begins with geography. When you take the AMTRAK's Acela train from Boston's South Station to Union Station in Washington DC, the train immediately heads south to Providence before turning west and going through Rhode Island and the length of Connecticut before entering New York State, with a short run to New York City. During much of the trip through Connecticut, Long Island Sound is in clear view. This is an integral part of the New England framework – the Atlantic [Long Island Sound] to the South, the Atlantic to the East, and to the North, Canada starting with the Maritimes and running into Quebec and Montreal.

In transportation terms, the New England region is farther East from the Midwest than the rest of the corridor. Ports like New York/New Jersey, Norfolk, Virginia; Philadelphia, Pennsylvania and Baltimore, Maryland have a natural advantage. In addition, the Port of Montreal on the St Lawrence River is

*(**PROSPEROUS** – continued on page 12)*

Port of Davisville roars ahead with development

Pier 2 central to modernization plan

By George Lauriat, AJOT

Two years ago, the $50 million bond measure for infrastructure projects at the Port of Davisville was approved by Rhode Island voters. With the approval in hand the implementation of the $90 million modernization plan, particularly the critical rehabilitation and modernization of Pier 2, has moved forward.

The Port of Davisville is part of the Quonset Development Corp's (QDC) Quonset Business Park development. The QDC is a quasi-state agency – a "Special Purpose" subsidiary of the Rhode Island Department of Commerce. The arrangement with QDC has been uncommonly successful as the Port of Davisville has shaped itself into the biggest, small port in America. Although the Port is not generally mentioned alongside mega-ports like New York/New Jersey, Long Beach or Los Angeles, nonetheless the Port of Davisville ranks in the top ten auto import ports in North America…and is growing.

In 2017 the Port handled over 222,521 new vehicle imports by ship, 41,754 units by rail and another 1,305 units by truck. The total of 265,580 vehicles handled by vehicle processor NORAD represented another record-breaking year for the Port. The port also notched 202-ship calls. And in November 2017 the Port handled a record-breaking 21-vessels discharging over 26,800 vehicles.

The Port of Davisville is a unique

*(**ROARS** – continued on page 6)*

CPA looks for new opportunities for Connecticut ports

By George Lauriat, AJOT

Table setting. The Connecticut Port Authority (CPA) is relatively new. The authority wasn't formed until 2015 and didn't hire the new port director, Evan Mathews, until September of 2016. So, the process of "table setting" for future projects is still in the stage of finding out what's in the drawer. It's no easy task as the CPA's mandate is far reaching and includes all of Connecticut's ports, large and small, as well as some inland assets.

The CPA is a little different style port authority than say MASSPORT or Port Authority of New York New Jersey. The quasi-state agency "is more like a state economic development corporation," Evans explained rather than the traditional models. The main responsibilities for the CPA are marketing the State's ports, pursuing federal and state funding for dredging and coordinating, planning and implementing capital projects. Port operations are still vested with the local municipalities and companies.

With an authority that covers the entire 100-mile plus coastline, one of the early decisions was to establish a new headquarters (formerly in Hartford) within reasonable reach of the various ports and facilities. Old Saybrook was chosen as the new office location for the CPA - fairly near to the Port New London.

Connecticut's principal deep-water ports are New London, New Haven and Bridgeport. Nevertheless, 11.4 million tons of freight annually run through Connecticut's ports with another 4.6 million in freight connected to regional railways. In fact, in many respects because of the central location, the State's ports like New London and New Haven function like the "break bulk ports" for the Port of New York/ New Jersey or even the Port of Boston.

However, all the State's deep-water ports have infrastructure issues that need to be addressed for the waterfront assets to reach their full potential.

Since the CPA is largely a facilitator – a project leader - this means finding private companies willing to invest in port projects.

In February, the CPA gave the approval to release a Request for Qualifications (RFQs) for a terminal operating concession at State Pier in New London.

At the time of the announcement the CPA chairman said, "As one of Connecticut's three deep-water ports, New London can be a catalyst for economic development in the region if properly maintained and marketed." Currently, New London handles cargoes such as salt, lumber, paper, copper and steel. Because of a solid construction, the

*(**NEW** – continued on page 7)*

*(**ROARS** – continued from page 4)*

success story. To put the success in perspective, when the port began importing auto in 1996, it handled just over 35,000 and really didn't crack the 40,000-unit barrier until 2003. However, growth has been spectacular since the recession in 2009. But to keep growing the Port's had to address a number of infrastructure issues beginning with Pier 2.

Pier 2 Rehabilitation and Modernization

Pier 2 is central to the modernization plan for the Port of Davisville. The Pier has been described as the "workhorse" for the Port and the challenge is to rehab the pier while it is still active.

Pier 2 is an earth filled cofferdam cell structure built by the US Navy in 1956. It was designed to last 50 years, a period that has come and gone. The pier is the primary facility in the Port of Davisville and due to its style of construction [earth filled rather than timber supported], it is the pier best suited to handling heavy "deck" project cargo. In addition, the pier is the easiest to expand into another berth allowing multiple vessels to berth simultaneously. The proposed redevelopment would add another 50 years of life to the pier, as well as adding another berth. Additionally, the other berth would enable Davisville to handle the larger Pure Car Carriers (PCC).

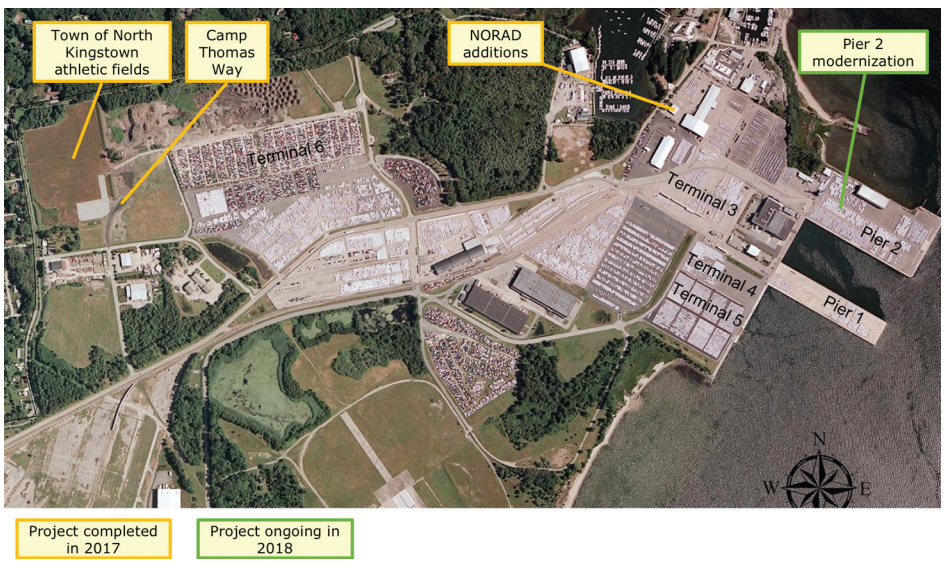
Work completed in 2017 included:

- Program manager engaged
- Geotechnical investigation and test piles
- Bottom survey of proposed dredge area
- Design and permitting of east face encapsulation

The work scheduled for 2018 includes:

- Construction of east and north faces
- Trestle demolition
- Utility relocation
- Design and permitting of south face encapsulation

*(**ROARS** – continued on page 14)*



Port of Boston continues remarkable run

Port of Boston finds growth from its niche environs

By George Lauriat, AJOT

New England's Port. The Port of Boston, specifically Massport's container facility at Conley Terminal, is New England's port. For years, it might have been debatable whether the Port of Montreal in Canada or the Port of New York/New Jersey was really New England's port but not now. That day has passed.

What's changed over a few decades? Well, to begin with Massport's strategic goals have shifted. This began in earnest with consolidation of the two container facilities in the mid-1990s – the J.F. Moran facility in Charlestown - into one main facility at Conley Terminal in South Boston.

Many other public projects were taking place at the time of consolidation, notably the "Big Dig" and the adjoining Ted Williams cross-harbor tunnel, which linked Logan Airport (also a Massport asset) with South Boston and access to points north, south and west of the City of Boston. Besides the more 'public' projects, harbor dredging operations began – a crucial infrastructure need to match the terminal overhaul.

The role of the new, consolidated Conley Terminal also began to evolve. The concept of a "gateway" to the Midwest – a role, arguably better fulfilled by many ports in the region with more favorable geography *(see Northeast article on page 4)* – was transplanted with the idea of the port being a niche port for the greater New England region beginning with the metro region immediately adjacent to the container port itself.

The strategic shift was made easier by what was right at hand, a world class metropolitan area. There are an estimated 7.6 million people living in the greater Boston area, ranking in GDP terms 6th in the U.S. and remarkably, 12th in the world. The wealth just off the piers was sufficient to attract the ocean carriers providing the ship call worked within the vessel overall rotations and did so, at a competitive cost.

Carving Out a Niche

Competitive cost is among other things based on the container volumes being shifted. Cleaning out bays full of containers is more efficient than cherry picking a few here and there. Smaller container ships, with inherent imbalances in trade (at points in time as much

*(**RUN** – continued on page 10)*

Tradepoint Atlantic secures $20 million TIGER Grant

Tradepoint Atlantic, a 3,100-acre facility located on Sparrow Point in Baltimore, in March, secured a $20 million TIGER grant. The grant will help pay for the infrastructure upgrades to the facility under the appropriately named MAMMOTH (Mid-Atlantic Multi-Modal Transportation Hub) project moniker.

Tradepoint's application called for monies with the company matching the grant with $25.5 million of its own funds. With the $20 million grant, Tradepoint is expected to contribute around $30 million of its own money to the project.

The project will include upgrading Tradepoint's east-west berths that handle a majority of the current freight traffic. Perhaps the most critical aspect of the project will be dredging at the berths. State and federal regulators are reviewing Tradepoint's request to deepen channels from 36 feet to 47 feet.

Although the facility is very much a work in progress, the terminal handled 2.5 million tons of freight in 2017.

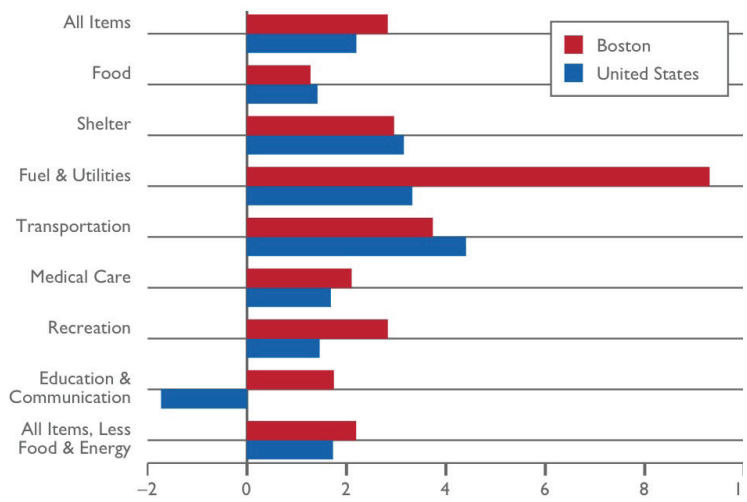
Importantly, Tradepoint has been busy filling out its client base. Last November, the group got a big boost when Amazon announced it would open an 855,000 sq/ft fulfillment center on the facility. Other high profile tenants include FEDEX and Under Armour.

The property was originally a steel mill before being bought in 2014 by Redwood Capital Investments and Chicago based liquidation and redevelopment company Hilco. The group was initially named Sparrows Point Terminal before becoming Tradepoint Atlantic in 2016.

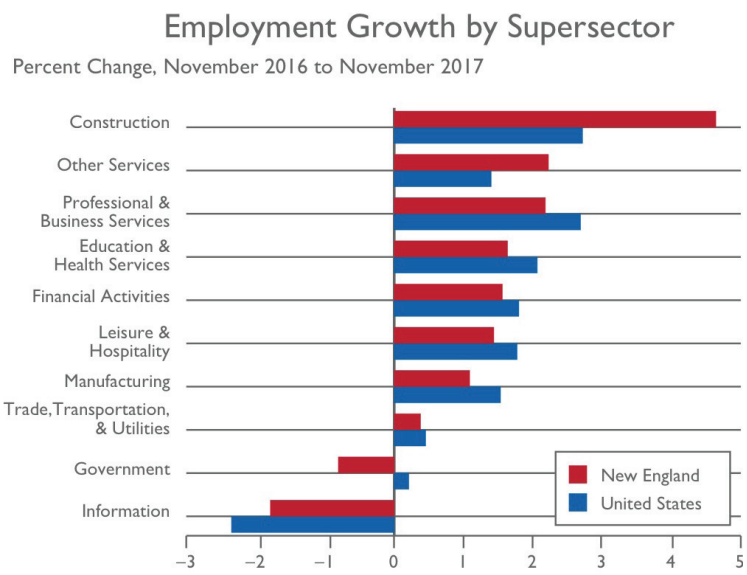
*(**NEW** – continued from page 6)*

pier's able to handle heavy freight and has on dock rail and an interstate close to the facility. The port also has a significant amount of under-cover warehouse space to enable the handling of weather sensitive freight like steel coils or paper. Salt is also a major import to the facility.

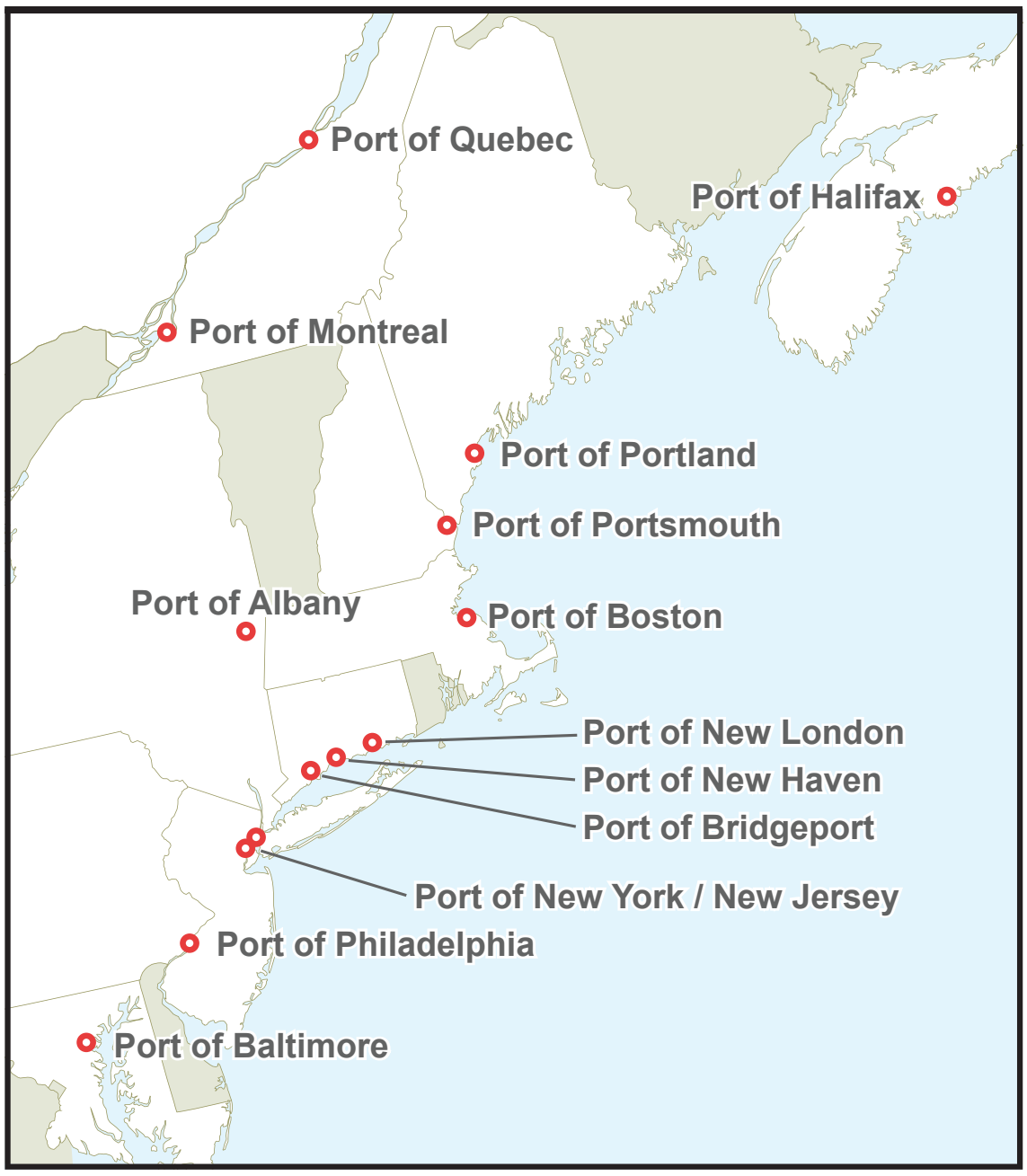
In terms of new opportunities, wind power is at the top of the wish list. And the CPA believes they have the right set of assets as they pointed out at a recent roundtable on wind power, "The Port of New London has the only port between Boston and Norfolk, VA. without restrictions in height or width in its main channel. This allows New London to be an ideal location for receiving shipments of wind turbine parts as well as manufacturing components. Along with the logistical nature of offshore wind in New London, there is also a strong local workforce that is ready to take advantage of the economic opportunities that offshore wind would provide."



Source: U.S. Bureau of Labor Statistics.



Source: U.S. Bureau of Labor Statistics.
Note: Data are seasonally adjusted. New England's Information supersector is based on data from NH, MA, and CT only.

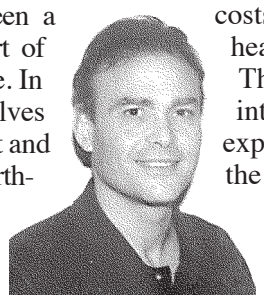


Port of Albany: continued focus on heavy lift and project cargoes

The port commission also eyes future, allocating resources to explore logistics hub scenarios.

By Peter Buxbaum, AJOT

Thanks to its proximity to manufacturers like GE Energy, in Schenectady, New York, project cargo has been a mainstay for the Port of Albany for some time. In fact, "We call ourselves the premier heavy lift and project port in the northeast," said Tony Vasil, the business development and marketing manager at the Albany Port District Commission.



And that's why the port is investing in improving and expanding its heavy and oversize cargo capabilities, with a number of projects in progress.

Although project cargo makes up a hefty proportion of Albany's volume, it's not the only kind of cargo that it handles. The port took a hit in the last year when Cargill announced it would no longer export grains through Albany. But another company, Ardent Mills, saved the day when it announced it would take over the Cargill facility and repurpose it to handle grain imports, in a deal finalized within the last few days.

New Warehouse and Wharf Reconstruction

A big lift warehouse at the port is currently under construction and should be completed by the end of June of this year. The new, 45,000 square-foot climate controlled facility will have a 2,000-pound per square foot load factor, enabling it to handle heavy cargo from shippers like GE Energy.

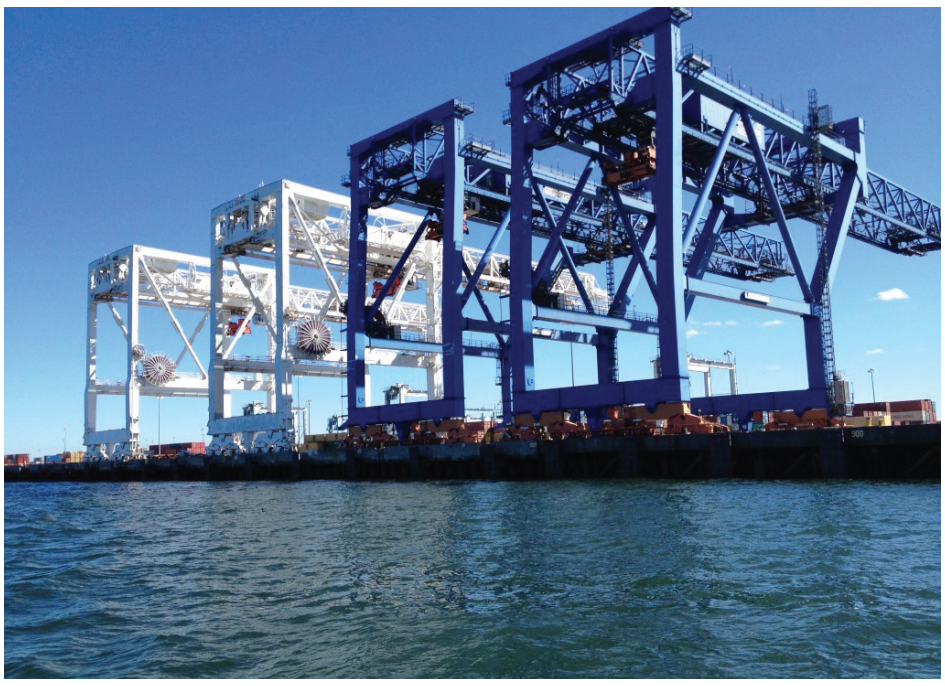
The warehouse project is tied in with a wharf reconstruction project on the south end of the Port of Albany. "We anticipate receiving barges of GE products that are too large to move by rail, from a height rather than weight basis," said Vasil. "They will come down the Mohawk River and through the locks to be offloaded at a new ro/ro slip." From there, the big pieces will be loaded on 18-wheel articulated trailers, which will move them to the new project cargo warehouse, located at the north end of the port. The roll-on/roll-off ramp is expected to come online in 2019.

Power plant components are becoming larger, noted Bill Ring, general manager Federal Marine Terminal in the Port of Albany, meaning that fewer can move by rail and making ro/ro options critical for a port like Albany that specializes in project cargo. "It's easier to handle project cargo when it can roll on and off," he said. "The ro/ro slip will also avoid the costs of some of the heavier barge cranes. There is a definite interest in this kind of expansion throughout the project industry."

The facility is not for GE's exclusive use, however, and Vasil noted that the port, and FMT, specifically, have handled project cargo from many other companies, including Siemens, Bechtel, Ericsson, Babcock & Wilcox,

*(**FOCUS** – continued on page 11)*

The *BBC Aquamarine* sails through New York Harbor on its way up the Hudson River to the Port of Albany.



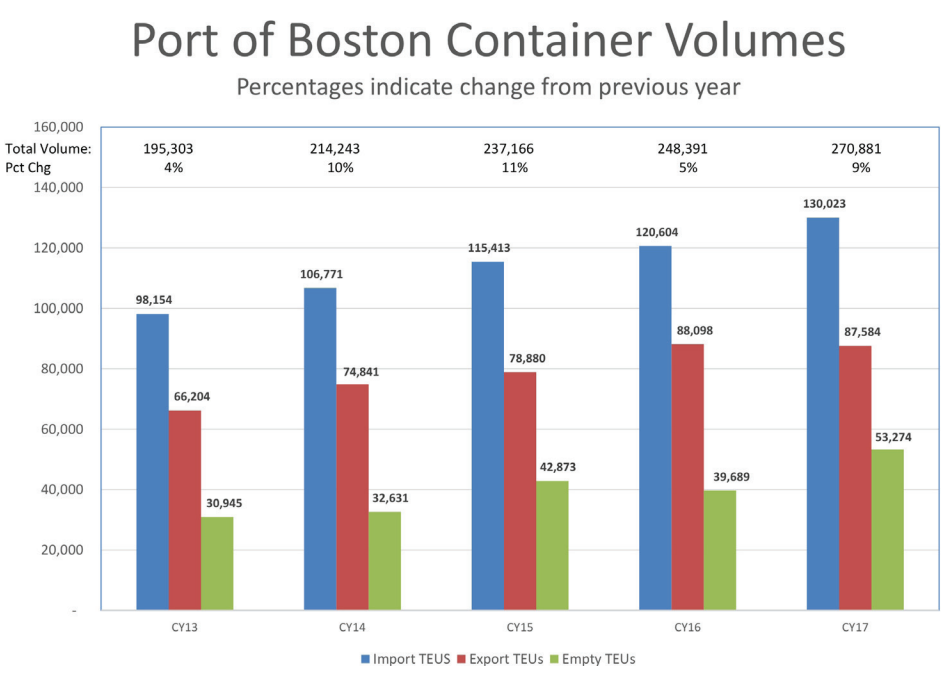
Conley Terminal at the Port of Boston, MA

(*RUN – continued from page 7*)
as 80%-20% inbound to outbound), coupled with lower capacity equipment and a Northeast climate, can make handling costs seem high vis-a-vis other Northeast container ports competing for the same business. In the case of the containership industry, size and volume are big calling cards and often trump niche business – no matter how attractive. And Boston is surrounded by big volume ports.

In 2017, the Port of New York/New Jersey, the East Coast's megaport, handled a record 6.71 million TEU and is only 200 miles from Boston. The Port of Montreal to the north in 2017 had a throughput of 1.54 million TEU and is only 300 miles away. And there is the Port of Halifax lying 400 miles to the northeast, which in 2017 notched 559,292 TEU.

These ports compete directly for cargo and ship calls with the Port of Boston. In the consolidated world of carrier alliances, it might be argued that even ports like Norfolk, Virginia; Baltimore, Maryland and the Delaware River ports of Wilmington, Delaware and Philadelphia, Pennsylvania are also in the competitive mix for freight and port calls.

Nonetheless the Port of Boston is on a remarkable run. In 2013 the port's throughput was 195,303 TEU and every subsequent year, the throughput has been over 200,000 TEU – including a record 270,881 in 2017. While Boston's total TEU throughput is certainly smaller than the surrounding gateways, it represents a great deal more traffic than was in the "dead port" forecasts of the early 1990s (during this dire stretch there was even a coffin black coffee mug circulating among port users with the tagline: "Thanks for the memory" "Boston SeaPort 1630-1990").



Delving a little deeper into the box numbers, there is also another positive takeaway. In 2013 the port handled 66,204 outbound TEU. In 2016 the figure had risen to 88,000 TEU before falling back slightly in 2017 to 87,584 TEU. For a consumer dollar driven heavy inbound destination like Boston registering an export TEU percentage of over 30% (not including empties) is an acceptable result. Few ports in the region are able to post inbound-outbound balance – the Port of Montreal being the exception *(see Leo Ryan article on page 2)*.

So, the question is, how can a regional niche port survive and indeed thrive, as the Port of Boston has been able to do?

For many years, there was a popular school of thought among port planners of hub-ports like the Port of New York/New Jersey being linked to much smaller satellite ports, akin to the hub and spoke networks or airports. The idea – still popular in some circles – was ocean carriers' linehaul ships would call in two or three East Coast hub or gateway ports and the rest of the smaller ports would be serviced by barges, rail and lots and lots of trucks.

The hub port concept never fully played out for a variety of reasons. From a socio-economic port of view, states like having their own ports. Further, elected officials in port states are notably less concerned about (RE: voters) other states, no matter what the logic of freight patterns might dictate. The Federal government generally doesn't like to play favorites and dredging funds have

(*RUN – continued on page 16*)

*(**FOCUS** – continued from page 9)*
and others. "In the last year and half, many coal-fired electric plants in the northeast have been phased out and older gas plants are being refurbished," he said, "so we are seeing a good amount of cargo related to those projects."

These improvements are going to benefit the operations of FMT, which handles much of the project cargo traffic at the port. "The new warehouse was originally built for GE's use," said Ring. "This will give GE the opportunity to store generators and turbines at the port. If they are produced ahead of schedule, the new warehouse will give them a local option for storage so we will get the work when it comes time for exporting." Without the new facility, GE would ship its components for storage to another port with the required capabilities in advance of shipping.

FMT Lease

In November of last year, the Albany Port District Commission signed a new 10-year agreement with FMT to provide longshore and other cargo handling services at the port. FMT has provided those services at the port for over 10 years. The new contract, with three five-year renewal options, means FMT could operate in Albany for another quarter century.

In 2017, the Port of Albany handled components for steam generation plants in Lordstown, Ohio, and Wilkes-Barre, Pennsylvania. Vasil expects that this year, similar work will come through for the port for a plant near Poughkeepsie, New York. These kinds of projects are massive, noted Ring, with total volume for each, to include generators, turbines, and other components, reaching tens of thousands of cubic meters.

Cargill, Incorporated, the massive food and agricultural products company headquartered in Minneapolis, was one of the initial companies to operate at the Port of Albany when it opened in 1932. However, in recent years, the Fortune 500 company has decided to funnel their export product form the Midwest through ports on the US gulf and west coasts, to the detriment of Albany.

"We used to handle a quarter of a million tons a year for Cargill," said Vasil.

Ardent Mills, which is owned in part by Cargill, and is based in Denver, will be taking over the lease on the Cargill facility. Instead of using the facility for exporting, it will be receiving imports from places like Turkey, Egypt, Argentina, and Brazil. The facility will become active under the aegis of its new operator "within a couple of years," according to Vasil.

Another project at the port will see an existing old warehouse, referred to as Shed Number One, which is not cost-effective to refurbish, torn down to be replaced by a new structure. The port received some funding for that project from the US Maritime Administration.

Ring expects more import project cargo this year and next through the Port of Albany to make up for a shortfall in exports seen since the beginning of this year. He has also seen upticks in the handling of scrap and wood pulp and expects some inbound wind energy projects this year and into 2019.

No question, the port will continue to focus on heavy lift and project cargo. "We're always looking for that type of opportunity," said Vasil,

*(**FOCUS** – continued on page 16)*

Twin super post-Panamax cranes make Spring arrival at the Port of Philadelphia

The first visual affirmation of a new era of growth arrived at The Port of Philadelphia. PhilaPort received its first two super post-Panamax cranes at the Packer Avenue Marine Terminal after a ninety-day journey from Shanghai, China. Manufactured by Shanghai Zhenhua Heavy Industries (ZPMC), the new cranes will be 13 feet taller than the neighboring Walt Whitman Bridge with its boom in the upwards position.

PhilaPort, along with Packer Avenue Marine Terminal's operator – Astro Holdings, Inc. (a Holt Logistics affiliate) – have purchased the cranes as part of Governor Tom Wolf's $300 million Port Development Plan to increase cargo-handling capacity and efficiency.

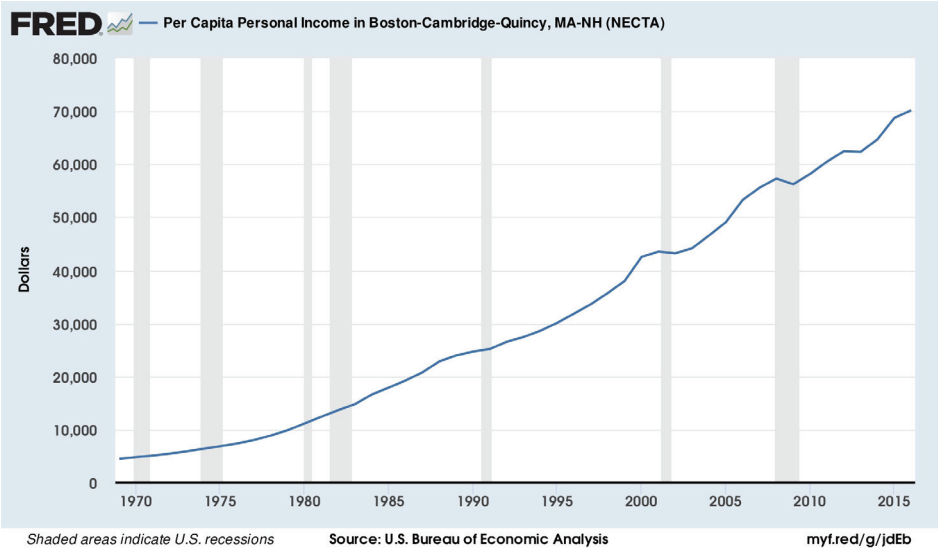
In the past decade vessel size has grown exponentially creating a new class of container ships known as ULCVs (Ultra Large Container Vessel) with a 10,000 to 20,000 container capacity. Even before the arrival of the cranes, this past winter PhilaPort saw the largest containership that ever called the Port the M/V MSC Shuba B a 12,200 TEU vessel. These new container gantry cranes will be capable of discharging containers from these new larger vessels and have a cost of $12m each.

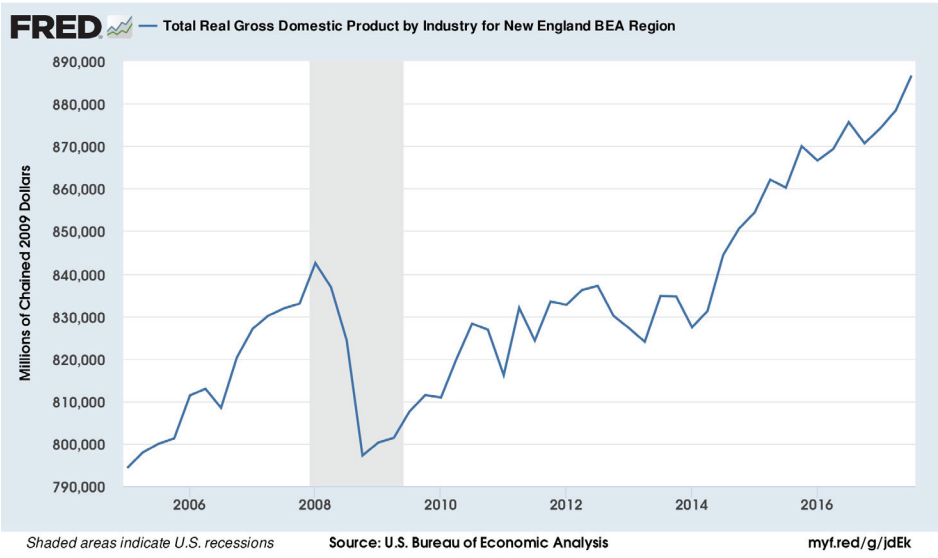
"For over a year we have been working hard to prepare the terminal for these cranes and it is great to see them here.", said Jeff Theobald, Executive Director and CEO of PhilaPort. "Last year we hit an East Coast record of 19% container growth. To sustain that type of growth, these new cranes are a necessity."

"The arrival of the cranes is a perfect example of public/private investment into the State's critical infrastructure," said Governor Tom Wolf. "Every transportation professional knows how important speed to market is to logistics. These new cranes will ensure that we keep pace with other U.S. seaports and allow PhilaPort to load and discharge cargo with state-of-the-art equipment."

In November of 2016, Governor Wolf announced a $300 Port Development Plan. As part of the plan, Packer Avenue Marine Terminal operator, Astro Holdings, agreed to purchase one crane, as well as undertake other planned

*(**ARRIVAL** – continued on page 13)*





*(**PROSPEROUS** – continued from page 4)*

also closer to the Midwest. Boston is 982-miles to Chicago while New York is 789-miles. Baltimore is 700-miles away from the Windy City and Philadelphia only a half a hundred more.

In the competition as gateway for trade to the US hinterland, New England (and particularly the Port of Boston) starts with a geographic disadvantage when compared to the rest of the Northeast corridor. But New England is really a region unto itself.

The "greater" New England economic area which includes parts of Upstate New York and Canada (and excludes parts of Connecticut that falls within the New York City economic orbit) represents a sizeable, independent economic entity within the Northeast – an economy approximately on the scale of the Netherlands.

Historically, New England's calling card was manufacturing but this disappeared decades ago. The old economy has been displaced by a robust new one which features financial services, healthcare, hi-tech industries, defense, education, hospitality services and construction. With the exception of the Great Recession of 2008-2009 *(see charts above)*, the economy of New England has continued to climb – reflected in both steady increases in GDP and annual wages.

This is especially true in Massachusetts and in the metro Boston area - arguably the economic and cultural "Hub" of the region. According to a report from MassBenchmarks (a collaboration between Northeastern University and the Federal Reserve Bank of Boston), Massachusetts' employment has been growing faster than the national average. In the fourth quarter of 2017, employment in the State grew at a 2% rate versus 1.4% for the U.S.

Third-quarter job growth was 2.1% in Massachusetts versus 1.3% for the U.S. For the year -- the fourth quarter of 2016 through the fourth quarter of 2017 -- employment in the state grew 1.8% versus 1.4% for the U.S. Alan Clayton-Matthews, MassBenchmarks senior contributing editor and associate professor of economics and public policy at Northeastern University, further refined the employment numbers noting, "The broader U-6 measure of unemployment - which includes those working part-time but want full-time work, as well as those who are marginally attached to the labor force - is back to pre-recession levels for both the state and the nation, 7.0% for Massachusetts and 8.1% for the U.S."

Inside the "Hub"

The City of Boston is often referred to as "The Hub," which is short-hand for the more expansive moniker "The Hub of the Solar System." When Oliver Wendell Holmes coined the phrase in 1858, he was referring to the golden domed Massachusetts State House on Boston's Beacon Hill. The nickname stuck and while Boston may or may not be the Hub of the Solar System… or Universe, the economic mass has attracted a sizeable amount of interest among Fortune 500 companies.

The City is relatively small at 89.6 sq./mi with only 48.4 sq/mi of that total being land. By comparison, the cities of New York at 469 sq/mi and Chicago 234 sq/mi. represent much larger metro regions. The estimated 2017 population of Boston proper is also relatively small compared to other metros with the 21 official neighborhoods combining for a population tally of 687,584. But the small city really is the Hub of a region of 7.6 million residents. And Boston is a great deal more than permanent city-dwellers. Every year 350,000 plus undergrads take up residence accounting for $4.8 billion boost in

*(**PROSPEROUS** – continued on page 15)*

*(**STRATEGY** – continued from page 3)*
mega-ship calls as well as at various ports on the U.S. eastern seaboard (as many transatlantic services via Halifax are structured). Thus, the Port of Quebec must constitute, in such cases, a destination port where all containers are loaded and unloaded (as happens in Montreal).

"But," continued Comtois, "the small local market could generate barely 10% of this traffic – meaning thousands of containers will have to be transported by train or truck to markets well beyond the City of Quebec."

As a result, apart from the increase in greenhouse gas emissions and road congestion around Quebec City, this implies, in his view, additional costs by truck and rail towards markets in Ontario and the U.S. Midwest compared with the services offered via the Port of Montreal.

"For a shipping line, there is no commercial justification for the creation of a container service in which the capacity of ship is dependent on distant markets already served in a competitive way by the Port of Montreal with well-established intermodal links," Comtois said.

In a significant development, the Port of Montreal in early February moved an important step forward to establishing a sixth container facility to keep pace with projected demand and with massive infrastructure investments by U.S. East Coast ports by releasing an environmental impact report on the project at Contrecoeur. The latter is situated on the south shore of the St. Lawrence River, 40 kms (24.9 miles) downstream from Montreal. Assuming this project gains Ottawa's green light (there are several wildlife habitat issues that do not appear insurmountable), the C$750 million (US$580.76 million) Contrecoeur facility would boost the port's capacity from 2.1 million to 3.5 million containers upon completion slated for 2023.


Site of the Port of Montreal's planned new container terminal at Contrecoeur, 25 miles downstream.

Critical View of Maritime Employers

Meanwhile, the Port of Quebec must not only secure sufficient financing from government and industry sources, it must overcome serious reservations not just from a local environmental group known as Nature Quebec but from the influential Maritime Employers Association (MEA).

Headquartered in Montreal, the MEA represents vessel owners, operators and agents as well as stevedoring companies and terminal operators. Its members include such shipping lines as Maersk, MSC, OOCL, Fednav, CMA-CGM and Hapag-Lloyd.

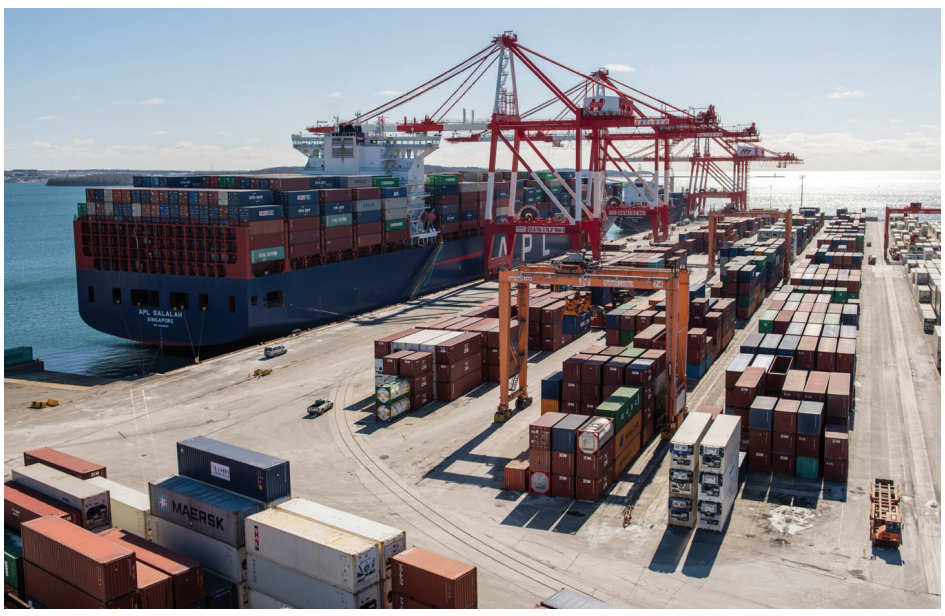
Outlining its position in a recent statement, the MEA said it did not believe that the Quebec container terminal plan "answered a real need of industry and markets." The MEA lauded Montreal's vocation as a destination port. It singled out the extra surface transport costs implied from Quebec, and argued that, partly due to often difficult winter conditions, containerships larger than 8,000 TEU were not suitable for the St. Lawrence trades and the markets served by the Port of Montreal.

While the shipping lines themselves always ultimately decide where they load and unload cargo, industry observers see little evidence thus far that the Port of Quebec will emerge one day soon as a second container port on the St. Lawrence.

*(**ARRIVAL** – continued from page 11)*
improvements to the facility.

"The Port has a huge impact on the economy of the entire region, and these new cranes are another sign that the Port is building a very bright future," said Tom Holt, Jr., President of Astro Holdings, the Packer Avenue terminal operator. "The cranes allow us to handle more cargo from bigger ships, and since we're already setting records for cargo growth at Packer, the cranes are arriving not a moment too soon."

In the first quarter of 2019, PhilaPort will be adding another two identical cranes and Astro Holdings another one crane at Packer Avenue Marine Terminal; bringing the total number of cranes at Packer Avenue Marine Terminal to seven.



The *APL Shalalah* docked at the Port of Halifax, NS

Bigger ships sparking Halifax comeback

By Leo Ryan, AJOT

Following a prolonged period of stagnation, the Deepwater Port of Halifax is on the comeback trail, with the resurgence sparked by 10,000 TEU ships now regularly calling on North America's East Coast plus the arrival of new services. For Karen Oldfield, at the helm of the Nova Scotia port since 2002, it's definitely a question of perseverance being rewarded after being big-ship ready for several years.

Karen Oldfield – Port of Halifax

Last year, containerized cargo volume hit a record 560,000 TEU, up 16% over 2016. The previous peak was 550,462 TEU in 2005.

The port portrays itself as a gateway with little congestion, low dwell times and available capacity at both box terminals. It is estimated that there is sufficient existing capacity to more than triple present volume.

Among regular customers are Hapag-Lloyd, Zim, ACL, APL, Maersk, OOCL, Evergreen, CMA CGM, Eimskip and Yang Ming.

Tropical Shipping moved from Saint John to Halifax and launched a service between Halifax and the Caribbean in January 2017. With Tropical much involved in the reefer trades, the Port of Halifax added more reefer plugs, and there are today 600 reefer plugs at the Halterm International Container Terminal.

According to Oldfield, the current growth cycle "is a reflection of the hard work of key port partners, including terminal operators, ocean carriers, rail provider CN, labor, marine pilots and tug operators. This past year also saw the arrival of Ultra container vessels over 10,000 TEU to our port. All of this combined provides a very strong foundation on which to build."

Kim Holtermand, CEO of Halterm, has indicated that the South End facility, which has no air draft or other impediments, can accommodate still larger container vessels, in the 14,000-TEU plus category.

*(**COMEBACK** – continued on page 21)*

*(**ROARS** – continued from page 6)*

• Design and permitting of east face pier extension. This will create a new berth for car carriers and allow this shipping activity to continue uninterrupted during subsequent construction of the south face.

There is substantial engineering required to bring the pier in line with the anticipated demands – particularly with the wind turbine business.

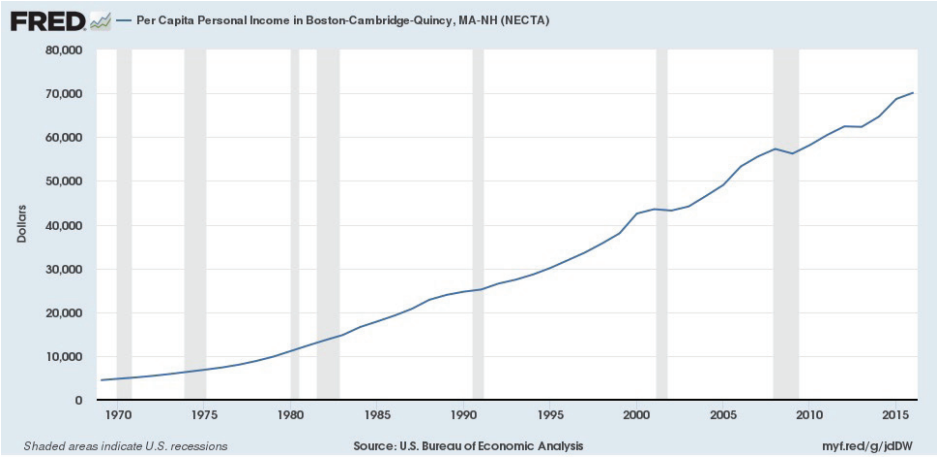
The proposed solution for Pier 2 is to "install a new HZ style wall with grouted earth anchors drilled into the existing pier backfill. This will create "dead man" tie backs to anchor the wall, supporting the exposed height and earth pressure," according to the published plan for modernization.

New Opportunities

The rehabilitation and modernization of Pier 2 and other projects is designed to enable the Port to diversify. Most prominent among the new business opportunities is offshore wind power. Davisville has already played an important role in the development of Deepwater Wind's Block Island Project. Various pieces of the project arrived via Quonset, including the steel jackets and more than 28-miles of cable. In addition, Quonset served as the principal port for the project's heavy installation vessels over a two-year period. The QDC feels that the Port and business park could well become a wind power "cluster" for the region's offshore wind farm business in the future.

In 2017 the QDC applied to the USDOT for a $24 million TIGER Grant for improvements in ramps and railyards at Pier 2 – the awards are expected to be announced in mid-2018. The grant would enable infrastructure improvements to the Port to smooth the flow of people and freight.

In another development, the QDC applied to the Maritime Administration for designation of the Port of Davisville as a "Marine Highway Project" in conjunction with the Red Hook Terminal within the Port of NY/NJ.




Massachusetts State House in Boston, MA

(***PROSPEROUS*** *– continued from page 12)*
local economic activity. From a metropolitan GDP perspective, Boston is the 6th largest in the U.S. and 12th largest in the world. And it is the region's largest seaport, airport and capital of the State. In short, it is an economic catalyst with impacts ranging far outward from its modest boundaries.

In recent years, finding property inside the HUB for 'headquarters' style real estate development has spurred a gold rush of corporate re-locations. In 2014 drug manufacturer Vertex Pharmaceuticals opened a new 1.1 million-square-foot headquarters complex in the Hub. But perhaps the biggest coup for both the City and State was the decision by GE to re-locate its global headquarters to Boston from the Fairfield, Connecticut location. It took approximately a $145 million package from the State and City to lure GE to the Hub. The new GE HQ dubbed "Innovation Point" is to be a $200 million project on a 2.7-acre site on Fort Point Channel. Under the initial timetable, the 400,000 sq/ft campus would have been completed by mid-2019 but GE recently announced a project slowdown. Still the impetus behind the move to Boston was clear – GE wanted to project an image of being more like a Silicon Valley company – more like Apple or Amazon and less like US Steel – and Boston with a deep pool of knowledge-based workers and access to top notch research facilities met the criteria. Another company, Alexion Pharmaceuticals also decided to relocate its corporate headquarters from Connecticut to Boston. The company moved into a 150,000 sq/ft office in the recently completed 121 Seaport Boulevard.

None of this is exclusive to Boston. For example, Under Armour is building a nearly 4 million sq/ft campus in Baltimore. But the scale of the corporate exodus from the burbs to the City of Boston is astonishing. The trend is exemplified by Reebok's re-location to the 220,000 sq/ft office space at the Innovation and Design Building. The athletic shoe and apparel giant, moved from its spacious Canton campus – about 20-miles away - into the 5 Drydock Ave. facility last year along with 750 employees. Because the City is more than a workplace, the Reebok facility has a 30,000 sq/ft gym and 13,430 sq ft retail store. Another company following suit of moving inside city-limits is audio giant Bose. Bose will relocate a large portion of its workforce from Framingham into nearly 100,000 sq/ft at Boston Landing, which is also the global headquarters of another athletic shoe and apparel company, New Balance

Bostonian Amazonian

For many cities in the Northeast corridor, the elephant-in-the-room question is where will Amazon place HQ2? While the Boston area might be in the running for Amazon HQ2 – rumors seem to place the new HQ2 closer to Washington DC. Amazon at this writing is negotiating to lease 430,000 sq/ft of Boston office space on floors 3-17 at Seaport Square Block L4, which would house 2,000 employees.

The Amazon move to the waterfront is significant on a number of levels. On one hand, the Amazon move represents a continuation of the urbanization that's accompanied the rise of e-commerce. The idea of moving retail commodities within the urban environment – part of *last mile* strategies - is realigning supply chains around the globe. But the Amazon move, along with many other corporate re-locations, reinforces the importance and fragility of access to transportation assets such as Conley Terminal and Logan. The rush to secure waterfront properties – and associate price rises - underscores the real estate pressure on waterfront (and to a lesser extent airport) dependent properties.

Such pressures on key waterfront assets isn't unique to Boston. It is a familiar refrain from Maine to Maryland. Finding a way to balance the pressure for waterfront space against the needs of waterfront dependent industries could well be the key to continued prosperity in Boston and the Northeast.

(*RUN – continued from page 10*)
been widely dispersed – somewhat leveling the playing field between ports for the larger containerships.

Secondly, ocean carriers can and do 'take their business elsewhere' when the numbers or conditions (facilities and infrastructure) aren't favorable. Taken together, these two conditions have opened up the U.S. port system to the development of multiple niche ports, like Boston.

But this doesn't guarantee market share. The key was building an efficient facility that ideally could be scaled to future business and to attract the region's freight traffic – both inbound and outbound - to the facility.

Terminal Progress

Dredging is among the most important challenges for the port. From a purely practical point of view, the port needs the water depth to handle the larger vessels transiting the modernized Panama Canal.

The dredging project took an important step forward, when in June 2014, the then President Obama signed the Water Resources Reform and Development Act (WRRDA) into law. In September of 2017 the dredging project officially kicked off. The size of the investment is significant. The overall estimated cost for the project is $350 million, including $130 million from Massport and the State of Massachusetts and another $220 million in federal funding, including $18.2 million allocated in the USACE's (U.S. Army Corps of Engineers) FY 2017 work plan and $58 million included in the President's FY'18 budget.

The USACE contracted Great Lakes Dredge and Dock to perform the dredging work. Economic development legislation proposed and signed by Governor Baker last year also permitted $107.5 million for Massport infrastructure investments at Conley Container Terminal, including the construction of a new berth and procurement of three new Post-Panamax cranes. Phase One of the project consists of maintenance dredging, including the construction of a Confined Aquatic Disposal (CAD) Cell just off the shore of the Autoport in Charlestown. This work is expected to continue through the end of the year.

Phase Two of the project, scheduled to begin in mid-2018, will deepen the Outer Harbor Channel, from 40-feet to 51-feet; the Main Shipping Channel, from 40-feet to 47-feet; and the Reserve Channel, where Conley Container Terminal is located, from 40 feet to 47 feet. Currently, Conley is able to handle 8,500 TEU ships - this project will allow it to handle up to 12,000 TEU vessels.

Another important step forward for the terminal improvement project was the October 2017 opening of the much anticipated, freight corridor. The 3,100-foot bypass road known as the Thomas J. Butler Freight Corridor is designed to move Conley Container Terminal truck traffic from South Boston's heavy residential areas on East First Street and part of Summer Street, rerouting it through the former Coastal Oil site to connect to the major highways. As part of the $75 million project, it includes a 0.6-mile dedicated roadway for Conley Terminal and a 500-foot long bridge across the former Exelon Power Plant inlet at the Reserve Channel.

Port Productivity

Port productivity is essential for a niche port like Boston to retain its ocean carriers. With the latest round of carrier consolidations and a reduction to three global carrier alliances, productivity is more important than ever. Long truck turns and slow container lifts off-and-on the ships, kills productivity and dampens a carriers' enthusiasm to keep calling. The difference now is with so few players, replacing a lost ship call isn't simply attracting another individual carrier but an alliance worth of carriers' – no mean feat with the Northeast port competition.

The terminal overhaul of gates and associated infrastructure has improved truck turn times. In 2017 the longest turn times occurred in December at 39 minutes while July, August and September truck turn times averaged 37 minutes.

The best months for truck turn times in 2017 were January, at 32 minutes, March, at 33 minutes and April, at 31 minutes. From the perspective of truck traffic, the months with the highest volumes of traffic were January at 9,025, August 9,928 and October at 9,290. The weakest month for gate visits was February at 7529 (see chart). Although no metropolitan area is free from traffic congestion, Boston is still a good alternative when compared to metro New York for shifting containers… with the caveat that many boxes transit both metro regions, arguably experiencing the worst of both regions.

A second element of the emphasis on productivity is with gantry cranes that lift containers on and off the container ships. Massport and the International Longshoremen's Association (ILA) agreed to an innovative union contract based on crane productivity. Massport and the ILA agreed on a productivity baseline of 27.20 moves per hour. Ship sizes and stowage – where the containers are on the ship and how many are moved on and off - plays a big role in crane productivity. Simplistically, bigger ships with larger groups of port designated containers enable higher production than smaller ships with more complex stowage. Weather also plays havoc with pier production. However, in 2017, crane lifts per hour were fairly consistent throughout the year ranging from a low in February of 31.04 to a high in August of 32.80 (see chart).

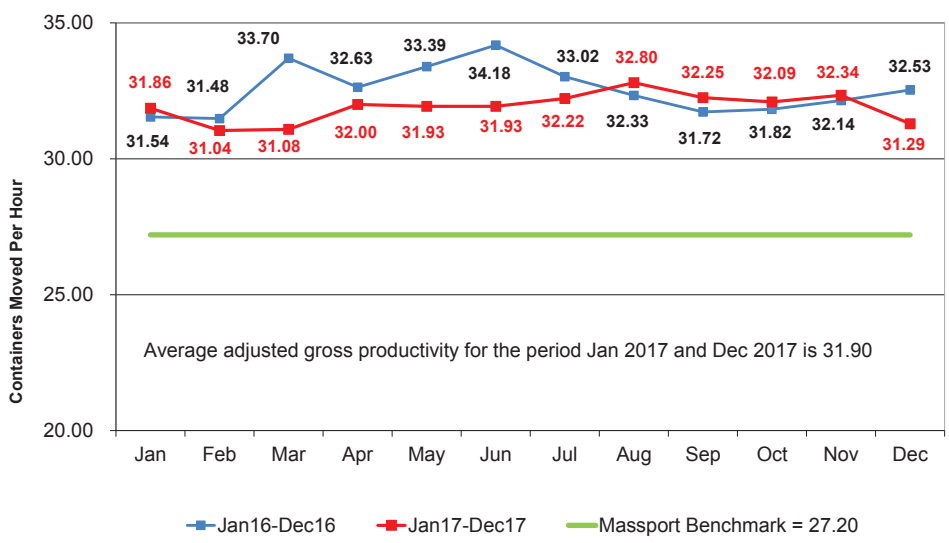
Massport's engineered a remarkable turnaround for the Port of Boston. It's estimated to have the terminal footprint to expand into a 400,000 TEU facility, assuming issues outside terminal gates don't constrict growth.

The Port has become a model for how a "niche" port can co-exist in a region with nearby gateway ports like the Port of New York/New Jersey or Montreal. But there's a cautionary tale in the City's robust development. Real estate pressure on waterfront property in South Boston is rising to unprecedented levels. And while condos and other activities can exist nearly anywhere, a port can only be a port with access to the sea…and to the hinterland land. The black coffee mug still serves as a reminder that today's success is not guaranteed tomorrow.

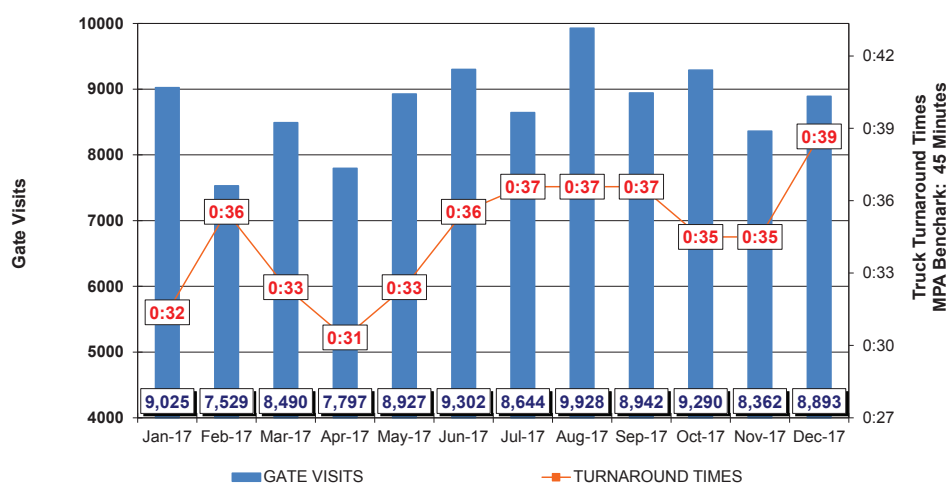
(*FOCUS – continued from page 11*)
"and we have an excellent reputation in that area."

Meanwhile the port commission is looking to expand the port's horizons. Its 2018 budget includes resources to retain firms for engineering and consulting work "on possible expansion opportunities." Some of that activity could include land acquisition, through which the port "could position itself to meet warehousing/distribution facility/logistics hub demand."

Conley Terminal Adjusted Gross Productivity for All Vessels



Conley Terminal Gate Visits/Truck Turnaround TImes



Eastman Chemical's Schnede addicted to 'really, really cool' world of logistics

Shortly after coming to the United States in 1985 to work for ocean carrier Hapag-Lloyd, Klaus Schnede almost returned to his native Germany, frustrated by a language barrier.

Now, after nearly two decades with ocean carriers and 13 years with Eastman Chemical Co., Schnede couldn't be happier he stuck it out, as he has become addicted to what he describes as "a really, really cool job."

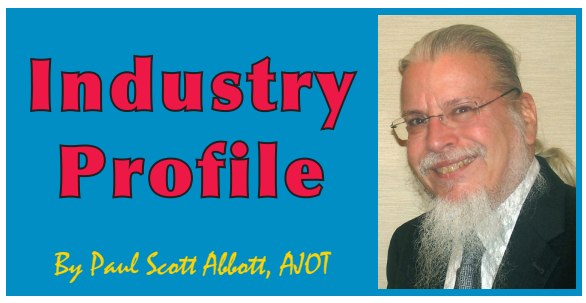
Schnede, who is manager of the North American marine category at the Kingsport, Tennessee-based, $9.5 billion-a-year-in-sales global specialty chemical firm, offers his thoughts in an exclusive interview with *AJOT*.

How has Eastman Chemical benefited from its bringing shipping and logistics functions in house?

In the late '90s, the company partook in an outsourcing experiment, outsourcing all the procurement and operations to a third party, and this experiment lasted for the better part of five and a half years.

It turned out to be not very successful, and, in 2005, Eastman decided to bring things back in-house. I was one of six people who came over from the procurement side to Eastman and was brought in to be responsible for everything marine-related.

It was just a better fit for things to be back in the head office, centralizing the control here, with outposts in Rotterdam, Singapore and Miami at the time. The expertise that came with it was almost unprecedented at the time, with people with wonderful backgrounds in marine or trucking or warehousing or other perspectives. It's still beneficial today, because there are a few of us left here.



There have, without getting into specifics, been rather large savings accomplished over the years associated with having the right expertise, knowing how to negotiate rates, looking at market insights, understanding what needs to be done and having the proper expertise to take advantage of certain situations.

What U.S. ports are part of Eastman Chemicals' strategies, and why have you chosen to use these ports?

We are very export-centric. We ship about 47,000 to 48,000 TEUs [20-foot-equivalenht container units] of chemicals on an annual basis. That includes a product called Tritan, a copolyester product used in making blender housings, for example, or in making sports water bottles and other applications. We ship acetate tow, which is used in cigarette production. And we ship various liquids in drums or totes, ISO [International Organization for Standardization] tanks or in bulk tankers around the globe.

Klaus Schnede applies two decades of ocean carrier experience to his work as manager of the North American marine category at Eastman Chemical Co.

We use Houston for a lot of the liquids that we're exporting, and, for the containerized piece, we're using Savannah and Charleston and, to a lesser extent, Wilmington, North Carolina. And we use New York and Chester, Pennsylvania.

We use the West Coast when we have urgent shipments, however not necessarily throughout the year. To cut transit times, we might rail to the West Coast via Memphis or Atlanta, and then shipping out of L.A. or Long Beach to Asian destinations.

Charleston is our most-used port, with trucking [150 miles south from Kingsport] to the inland port at Greer, South Carolina, and on to Charleston by rail [for 240 miles]. It's beneficial for various reasons, including a sustainability aspect, which is good for a chemical company to be green on the rail versus trucking entirely.

The truck market is quite different compared with even three or four months ago.

A booming economy, ELD implementation [electronic logging devices] and a driver shortage have created a quite unpleasant marketplace. We unfortunately see this situation to be an ongoing issue throughout 2018.

How have you applied your nearly 20 years of ocean carrier experience with CP Ships, "K" Line, Maersk and Hapag-Lloyd to your endeavors at Eastman? Am I right to assume that it has proven particularly beneficial in areas of pricing and contract negotiations?

I've worked the better part of 15 years in the pricing groups of these carriers, representing carriers at conference and discussion agreement meetings where, in those days, we were able to set freight rates. In the beginning, there were no individual contracts, so those were the days; conference contracts or tariff rates were the only options.

So, yes, I have certainly benefited from having been at those carriers and understanding how their pricing works, how their negotiation tactics work, what they're looking for and so on. It's good to have a solid understanding of how they do business.

Obviously, since I left [CP Ships

(***PROFILE** – continued on page 23)*

AIR CARGO NEWS

Delta, Air France/KLM co-locate cargo in Seattle

Delta Cargo and the cargo division of its joint venture partner, Air France/KLM, have co-located cargo warehouse facilities in Seattle, a move that will allow more space for cargo capacity and make shipping easier and more convenient for the airlines' shared customers.

Delta Cargo's Seattle warehouse has hosted Virgin Atlantic since March 26, 2017. In the last year, this 'One-Roof' partnership has handled over 1.2 million pounds of cargo with a daily 787 flight. This initiative is beneficial not only for the increased cargo tonnage capacity, but also to help deliver a coordinated cargo operation among Delta's partners and to add employment opportunities at the station.

Other stations to which Delta has expanded this "One-Roof" warehousing initiative include: Atlanta (with Air France/KLM and Virgin Atlantic); Boston (with Air France, Virgin Atlantic and Alitalia); Salt Lake City, Minneapolis and Detroit (seasonally with KLM); and New York's John F. Kennedy International, Washington-Dulles, Miami and Orlando (with Virgin Atlantic).

The airline expects monthly volumes of more than 400,000 pounds of highly-valuable cargo to be flown on Delta and newly launched Air France flights between Seattle and Paris.

Volga-Dnepr An-124-100 delivers 130 tons of equipment to the Polar region for 'YAMAL-LNG' project

Volga-Dnepr Airlines has performed two flights from Novy Urengoy to Sabetta in Russia delivering 130 tons of industrial equipment for 'Yamal-LNG', one of the world's largest gas recovery projects.

Carried out in harsh climatic conditions, the transportation solution was provided at the request of AeroTransCargo, a Russian logistics company which has already managed the air transportation of over 3,500 tons of equipment, mostly using the unique IL-76TD-90VD and An-124-100 freighters and expertise of Volga-Dnepr Airlines.

Volga-Dnepr transported a 30-ton high pressure pump and other gas recovery cargo weighing a total of approximately 130 tonnes onboard two An-124-100 flights. The equipment is being installed at a liquefied natural gas plant being built on the Yamal Peninsula. The flights were carried out under the most challenging conditions of the polar region in temperatures of -35° Celsius.

The equipment was delivered to Volga-Dnepr's An-124-100 from the customer's warehouse in Novy Urengoy before being loaded into the aircraft using a ramp extension and the freighter's onboard cranes. The first flight delivered 70 tons of equipment to Sabetta International Airport and a timely unloading enabled the 'Ruslan' aircraft to return to Novy Urengoy to collect the remaining 60 tons of cargo for delivery the next day.

*(**DELIVERS** – continued on page 23)*

UPS seen at `breaking point' as pilots lament too few aircraft

United Parcel Service Inc. was already in trouble with Wall Street over a long-term investment plan to cope with soaring e-commerce. Now the company is clashing with its pilots union because of a short-term fix for the same challenge.

Aviators are angry that UPS has turned to third-party cargo airlines to help make up for a shortage of aircraft capacity. Accusing UPS of years of poor planning and insufficient investment, the Independent Pilots Association has complained to an industry arbitrator that the courier is violating its labor contract by outsourcing flying that should be done by its own pilots.

"On a daily basis, our pilots operate a system chronically short on aircraft and strained to the breaking point," union spokesman Brian Gaudet said.

The dispute underscores the pressure on UPS to keep pace with the rise in online shopping, which is fueling record demand for its delivery services. The Atlanta-based courier has contracted with Western Global Airlines and 21 Air to provide and fly a total of seven aircraft, the union told its 2,700 members Feb. 22 in a memo seen by Bloomberg News.

UPS acknowledged it's hiring outside contractors, declining to identify the companies. The courier said it was leasing planes to be flown by UPS crews and also having third parties fly their own planes on the company's behalf. Western Global, based in Estero, Florida, and Greensboro, North Carolina-based 21 Air didn't reply to requests for comments.

'Bridging the Gap'

The extra help is needed in "bridging the gap" ahead of a major fleet expansion, UPS said in a statement. The company said it was in discussions with the union about the pilots' complaints.

"We believe it is in everyone's best interest to resolve our issues through internal dispute-resolution procedures," the company said.

The capacity shortage came to the fore during the 2017 holiday season, when record demand briefly overwhelmed operations. That forced the company to increase overtime as it rushed to complete shipments on time.

On Feb. 1, UPS pledged to spend an extra $7 billion through 2020 on an aggressive expansion and modernization program that includes automating warehouses and buying additional Boeing Co. 747 and 767 freighters.

Contract Allegation

Using third-party airlines for longer than 45 days in a year violates UPS's labor contract with its pilots, the union said in its memo. It's asked an arbitrator to determine if the company owes its pilots money damages, among other actions. UPS hasn't said how long it will continue using the subcontractors.

Rules laying out who can fly for an airline and when are common throughout pilot contracts in so-called scope clauses, said Dan Akins of aviation consultant Flightpath Economics.

"I would say scope is section one of every contract, because that's protected work," Akins said.

Intermodal & Logistics News

Mason Mega Rail breaks ground

The Georgia Ports Authority has broken ground on its $126.7 million Mason Mega Rail Terminal. The expansion will increase the Port of Savannah's rail lift capacity to 1 million containers per year, and open new markets spanning an arc of cities from Memphis to St. Louis, Chicago to Cincinnati.

Georgia Gov. Nathan Deal said, "Not only will this new intermodal facility take trucks off the road and bring our products to market with greater efficiency, but it will open a new corridor for American commerce to and from the Midwest."

The Mega Rail groundbreaking is the latest in a series of Gov. Deal's signature projects designed to make Georgia the transportation and logistics hub of North America - which include the recent announcement of 50 percent completion of the Savannah Harbor Expansion Project, a new inland terminal in Northwest Georgia, and a $10 billion statewide transportation improvement plan.

"The Mason Mega Rail project will expand rail capacity by 100 percent while reducing impact on the local community and throughout the supply chain," said Georgia Ports Authority Executive Director Griff Lynch.

When complete, Garden City Terminal will have a total of 180,000 feet of rail, 18 working tracks and the capability of building 10,000-foot unit trains on terminal. This will allow GPA to bring all rail switching onto the terminal, avoiding the use of nearly two dozen rail crossings - including those on Ga. Highways 21 and 25—for improved vehicle traffic flow.

GPA estimates that the new intermodal terminal will take more than 200,000 trucks off the road annually.

"This project is a game changer," said GPA Board Chairman Jimmy Allgood. "Our team estimates the Mason Mega Rail Terminal will slash rail time to the Midwest by a good 24 hours, and present a viable new option for many manufacturers, shippers and logistics professionals."

Allgood said unit trains make direct routes to distant markets more profitable for the railroads, which is a major factor in how the new capabilities of the Mason Mega Rail terminal will improve Savannah's reach.

*(**BREAKS** – continued on page 23)*

Trucking prices set for new surge as US keeps tabs on drivers

A U.S. trucking shortage that has pushed up freight costs for everything from cereal to toothbrushes is about to get worse.

Police nationwide began enforcing rules requiring most big rigs to use electronic logging devices to record driver hours. While truckers have long been barred from driving more than 11 hours a day, the new ELDs prevent them from fudging their times on paper logs. That means more trucks are likely to be parked when drivers hit their limits.

"You're going to be at least tightening the screws a little bit on an already tight market place," said Jason Seidl, an analyst at Cowen & Co. "If you're a shipper, it's not something that's going to be perceived as friendly."

The ELD rules add another choke point for freight prices, which are already pinching earnings at companies from Cheerios maker General Mills Inc. to retailer Ross Stores Inc. A driver shortage, surging demand and rough weather already have pushed spot rates up 28 percent this year through March 23 compared with a year earlier, according to data compiled by Bloomberg.

Even longer-term contract rates, which are more stable than short-term spot prices, are expected to rise 12 percent this year, according to consulting group FTR Transportation Intelligence. That would be the highest increase in more than a decade. Contract prices rose just 3.9 percent last year.

The ELD rules divided big trucking companies and independent owner-operators. Most large trucking companies adopted ELDs years ago to ensure that they complied with limits on hours and to eliminate the hassle of driver paperwork.

But smaller and independent drivers resisted the change. The American Trucking Associations supported the regulations, saying they made highways safer, while the Owner-Operator Independent Drivers Association railed against the requirement as another regulatory burden.

Rest Stop

The ELD rules went into effect in December, two years after the final rules were published, though enforcement didn't begin until April 1 for most trucks. The devices log driver hours, which have to be turned over to regulators and can be checked by authorities during routine inspections or traffic stops. After 11 hours on the road, a driver must rest for 10 hours.

A no-frills gadget costs less than $100, while ones that communicate wirelessly with a dispatcher incur air-

*(**TABS** – continued on page 23)*

Port KC purchases former AK Steel site for future development

The Port KC Board of Commissioners recently approved the purchase of 415-acres from AK Steel Corporation.

The 415-acre site is located along the Missouri River east of I-435 in Jackson and Clay Counties. AK Steel Corporation previously used the site as a landfill for its steel manufacturing and finished product transportation and distribution hub. The land will require some environmental remediation. Port KC is well versed with environmental cleanup and mitigation having already successfully taken on similar projects at Berkley Riverfront and Richards-Gebaur Commerce Park. Port KC plans to eventually develop the site for intermodal, light manufacturing and freight distribution. With close proximity to the Missouri River on the North, I-435 to the west, and rail access from the Kansas City Terminal Railroad to the south, this land parcel has the potential to be a major multimodal freight transfer facility.

Canada's crude-by-rail terminals sit idle as oil glut grows

Stranded Canadian crude is waiting for trains to take it to U.S. refineries.

A rail terminal near Edmonton that oil-sands producer Cenovus Energy Inc. bought for C$75 million ($58 million) sits underutilized just when it's most needed. The Bruderheim crude-by-rail facility is operating below its potential because of a shortage of locomotives, the company said last week.

Cenovus' situation isn't unique. After spending hundreds of millions of dollars building rail terminals able to handle more than a million barrels a day of oil, Canadian crude producers are discovering that all the loading capacity in the world isn't sufficient if rail companies don't provide enough locomotives, conductors and track space to transport the oil.

"Everyone kind of fell into the train of thought, that when they needed the rail resources from the rail companies that they would be there," Mike Walls, Genscape Inc. analyst, said in phone interview. "It's been frustrating for crude-by-rail shippers."

Heavy Western Canadian Select, a crude benchmark, has traded more than $20 a barrel below West Texas Intermediate since Dec. 8 after TransCanada Corp.'s Keystone pipeline shut and then resumed operation at reduced pressure following an oil spill. The shutdown came as Suncor Energy Inc.'s new Fort Hills' oil sands mine was set to begin ramping up. The steep discount for the Canadian crude pushed Cenovus to curtail production.

Western Canadian crude production will exceed the pipeline capacity to carry it away by 338,000 barrels a day by the end of the year, about three times more than December 2017, according to Genscape. Canada's railroad companies have been slow to respond as they struggle with a harsh winter and large numbers of grain shipments.

The USD Group LLC's terminal in Hardisty, Cenovus' Bruderheim terminal and the Kinder Morgan Inc./Imperial Oil Ltd. Edmonton terminal are shipping less than one-third of their combined capacity.

Crude shippers began investing in crude-loading terminals early this decade, when oil prices were higher and pipelines weren't keeping pace with growing production. Producers cut rail shipments when oil plunged in 2014 and pipeline capacity opened up. Now, with oil prices recovering and pipeline space again limited, rail companies, once burned, are now

*(**IDLE** – continued on page 23)*

SeaLand launches Gulf Ocean Express Service

SeaLand, the Intra-Americas regional ocean carrier of the Maersk Group, to introduce the Gulf Ocean Express (GOEX) service, a new direct, all-water service that connects the U.S. Gulf with Central America, Panama and Colombia. SeaLand transshipment hubs in Cartagena and Manzanillo provide shippers with full access to SeaLand's Americas service network. The first sailing is April 5th from Cartagena, April 16th from Houston, and April 18th from New Orleans.

SeaLand continues the expansion of its comprehensive Americas service network by adding U.S. Gulf capacity to address the needs of customers for increased volumes by connecting to major U.S. markets and Canada via 14,500 miles of waterways, six Class I railroads and the interstate highway system. GOEX serves U.S. export cargo out of the Gulf including resins, chemicals, paper, mining and metals, and frozen meat, as well as U.S. imports of agricultural products such as fresh fruits, forestry, automotive/transportation, chemicals, and apparel. Also, GOEX will serve special cargo (breakbulk/out-of-gauge) out of Houston and New Orleans.

GOEX Service rotation Northbound: Cartagena – Manzanillo – Puerto Cortes – Santo Tomas de Castilla – Houston - New Orleans Southbound: Houston – New Orleans - Puerto Cortes – Santo Tomas de Castilla – Cartagena – Manzanillo.

Port of Oakland ready for Japan's merged shipping lines to call

Port of Oakland officials said they expect little difficulty when Japan's newly merged shipping line arrives next month. The Port predicted normal operations as container carriers MOL, NYK and K Line consolidate under a new flag.

The three Japanese ocean carriers merged in 2017 to form a new company, Ocean Network Express, known as ONE. They'll combine operations April 1 with the first ship scheduled to arrive in Oakland a week later. ONE would be the world's sixth-largest container shipping line when it begins joint operations with 240 vessels.

The Japanese shipping lines currently visit Oakland with eight weekly vessel services. That number isn't expected to change as they become ONE, the Port said. Japanese ships will continue to tie up at Oakland's largest marine terminals: TraPac or Oakland International Container Terminal.

"Everyone affected with this merger – the shipping lines, marine terminals, cargo owners, other Port stakeholders – has been gearing up for it since last year," said Port of Oakland Maritime Director John Driscoll. "There may be unforeseen challenges but we are confident they will be promptly addressed and no operational disruptions in Oakland are expected."

Ocean Network Express selects Union Pacific as Western rail provider

Ocean Network Express Pte. LTD (ONE) and Ocean Network Express North America selected Union Pacific to handle all intermodal shipments arriving on its container ships at U.S. West Coast ports beginning April 1, 2018. With a global fleet of more than 250 vessels, ONE was established by a merger of Japan's three largest ocean carriers - MOL, NYK and K Line.

"Union Pacific is proud to continue our relationship with the carriers that make up ONE's joint venture and support its changing needs with transportation solutions offering efficient transit times and reliability," said Beth Whited, Union Pacific executive vice president and chief marketing officer. "We are well-positioned to leverage innovative customer tools and international intermodal resources to provide seamless service, flexibility and new market opportunities."

Under the new agreement, containers arriving or departing from U.S. West Coast ports will transfer between ONE vessels and Union Pacific trains at its on-dock and near dock facilities in Los Angeles and Long Beach, California. Union Pacific will also carry ONE shipments arriving at Pacific Northwest ports in Seattle and Tacoma, Washington.

"Union Pacific provides a strong inland U.S. rail service network and reliable service we need for a smooth transition," said ONE CEO Jeremy Nixon.

ONE is headquartered in Singapore, its North American headquarters are in Richmond, Virginia.

NEXT and MOL announce partnership that will ease barriers to cross-border trade

NEXT Trucking, the first trucker-centric online marketplace that connects carriers with shippers, and Mitsui O.S.K. Lines (MOL), one of the largest shipping companies in the world commuting to U.S. ports, have entered into a strategic partnership that will allow overseas customers a seamless integrated platform from Asia through key West Coast ports and onto final distribution destinations throughout the United States.

T.K. Konishi, Chief Executive Representative, Americas, Mitsui O.S.K. Lines, Ltd. said of the partnership, "NEXT Trucking is an industry leader and on the forefront of the technology-based transportation field. This is a valuable partnership that will benefit MOL's customers by streamlining the shipping process and reducing costs."

High logistics costs have traditionally been a barrier to cross-border trade for Asian—especially Chinese—vendors and SMEs, with shipping expenses accounting for thirty percent (30%) to forty percent (40%) of the overall product cost in China, according to the China Federation of Logistics and Purchasing. Forecasts indicate that there will be approximately 43 million SMEs in China by 2020. This collaboration will allow them to leverage scale, currently not available to them, in the ability to collectively con-

*(**PARTNERSHIP** – continued on page 23)*

ZIM upgrades ZCP service and introduces new CFX service connecting FL, Jamaica and Canada

ZIM announces change and upgrade of flagship ZIM Container Service Pacific (ZCP), and the simultaneous launch of a new Canada Florida Express service (CFX), starting April 3rd.

The combined synchronized change will improve transit time and service levels and expand port coverage.

CFX is a weekly, fixed-day service deploying 2x1300 TEU's vessels. Connecting the Latin American hub in Kingston, Jamaica, with Florida and Halifax, the new service offers a fast and reliable service, smoothly connecting the regional network to ZIM mainliners. CFX rotation:Kingston- Miami - Halifax – Kingston.

The launch of CFX is coordinated and synchronized with the change in the ZIM Container Service Pacific (ZCP), which will cease to call Halifax, enabling more reliable transit time from Asia to US East Coast. Halifax will be served via Kingston, maintaining similar transit times into Halifax as today. The new CFX feeder will introduce best-in-class transit times from Asia into Miami, opening a new important gateway to US destinations via the port of Miami.

Going forward cargo to/from Asia to Halifax will connect to ZCP via our dedicated hub in Kingston.

US economy is at risk amid immigration curbs, Maersk CEO says

The chief executive officer of the world's biggest shipping company says curbs on immigration backed by the administration of President Donald Trump risk hurting the U.S. economy.

"The U.S. economy is running at full steam and therefore wages have started to rise," which "in itself is positive," Soren Skou, the CEO of A. P. Moller-Maersk A/S, said in a phone interview. "But if the U.S. succeeds in cutting off immigration, it will be very challenging to keep the economy going at the same pace."

Running a company that transports goods around the world puts Skou in a unique position to observe how a wave of protectionism is reshaping the global trade map. And as the Trump administration blames

*(**RISK** – continued on page 22)*

LA Port's container staging facility will boost productivity

The Harbor Performance Enhancement Center (HPEC), a unique $130 million-dollar public-private partnership dedicated to facilitating sustainable freight movement and supply chain efficiencies throughout the United States, has completed a strategic transaction with Macquarie Principal Finance, to provide capital for the development of the 5.5 million square foot container staging hub located at Terminal Island in the Port of Los Angeles (POLA).

The public-private project will transform 110 acres that is currently fallow and bring the latest technology and a unique set of operating capabilities to bear on the challenges that currently constrain freight flow through the busiest port in the Western Hemisphere. When complete, the project will take 3,500 truckloads per day from nearby container terminals to the HPEC staging area. HPEC will improve flow, increase velocity, reduce emissions, add jobs, and enhance the efficiency of imported containers passing through the 14 marine terminals at the San Pedro Bay complex, a complex that supports 42% of all U.S. Imports.

Jonathan Rosenthal, Founder/CEO of HPEC said, "The HPEC development presents a truly unique opportunity to make the San Pedro Harbor the most competitive gateway for transpacific freight while reducing community impacts of the nation's most important artery. In Macquarie we have found an industry-leading partner that shares our commercial vision and our public/private mission - to be the first privately-owned firm that enhances the performance objectives of surrounding intermodal freight facilities throughout the United States and eventually around the world. HPEC will increase productivity at the Port by 10% or more.

"HPEC's innovative approach will relieve congestion throughout the region, increase cargo velocity through the Port, lower handling costs, reduce emissions, and dramatically improve freight flow efficiencies in the San Pedro Bay complex", said Alex Cherin, Executive Director of the California Trucking Association's Intermodal Conference. "With HPEC coming online, the trucking community and its customers will have one start-stop location to pick up and drop off containers, distributing to regional hubs around the clock. This is one of the most important projects in the nation and will be a real game changer" said Cherin.

HPEC has garnered unprecedented support from the San Pedro Bay Sustainable Supply Chain Advisory Committee, a group made up of shippers, the California Air Resources Board, the Southern California Air Quality Management District, ocean carriers, terminal operators, trucking companies, labor, and environmental groups. While members of the group often share different perspectives, they all agree that HPEC will be a critical piece of the freight flow infrastructure in the San Pedro Harbor and a valuable asset as the goods movement industry continues to undergo a massive transformation.

Given the central location of the Project site to the Harbor Department's largest container terminals, and the projected volume of cargo moving through the San Pedro Bay ports, the project will support critical truck-based cargo movements through the gateway and thus may greatly augment core cargo handling functions. By utilizing the highly successful hub and spoke distribution model to achieve improved efficiency, HPEC will use a system perfected by companies such as Federal Express, UPS, and Yellow Freight. The innovative distribution model reduces transportation costs, improves cycle times, and reduces inventory while improving the distribution processes.

Andrew Honan, Senior Managing Director of Macquarie Principal Finance, said: "We are pleased to be joining forces with the HPEC team to develop a key part of one of the nation's core pieces of infrastructure, the principal gateway from Asia and a critical component of the freight ecosystem. When completed in three years, HPEC will reduce waiting times and congestion by allowing trucks access to a staging area where pick-ups and deliveries will be streamlined".

HPEC will also include an educational component at an on-site facility that will be used as a laboratory to facilitate learning, collaboration and the pursuit of new innovative ideas among the world's leading stakeholders in the goods movement industry, academia, and other related organizations. The facility will showcase and foster economic and environmental innovation within the supply chain.

(COMEBACK – continued from page 14)

In this regard, there is speculation that the port's long-term blueprint yet to be completed will recommend an extension of the Halterm berth to handle two mega container ships simultaneously.

Commenting on recent developments to the *American Journal of Transportation*, Lane Ferguson, communications manager of the Halifax Port Authority, noted: "Global shipping routes are being redrawn to accommodate the general shift toward larger vessels which is now in full acceleration thanks to four factors: the expanded Panama Canal; the raising of the Bayonne Bridge in New York, the additional lane of the Suez Canal which opened in 2015, and the formation of three strategic ocean carrier shipping alliances, two of which are calling at the Port of Halifax – Ocean Alliance, and THE Alliance.

"While we don't break out detailed information about specific trade routes," he continued, "I can say that reaching into manufacturing centers and areas of high population is important as those areas present opportunities for cargo growth and business development. We see the potential for growth along South East Asian routes, European routes, the Caribbean and New England States, as well as central markets, and we will continue to work with our partners to grow those markets."

Nova Scotia Challengers Still on Sidelines

Meanwhile, continuing to be in virtual limbo (but not totally dead) are two major container terminal projects in Nova Scotia, which both need to overcome railway connection and other issues.

Several years ago, Melford International Terminal announced plans to build a terminal at the Strait of Canso, with initial capacity of 500,000 TEUs and expanding to 2 million TEUs in a final phase. There has been little progress in terms of financing and shipper commitments.

Somewhat more advanced, but still not formally launched, is the nearly one billion dollar Novaporte project by Sydney Harbour Investment Partnership, with a capacity of one million TEUs in the first phase. Here, too, the goal is to transload containers from large ships onto smaller feeder services to the East Coast and up the St. Lawrence River. Ports America has signed on to operate the terminal, but there has not yet been a formal commitment from beneficial cargo owners or shipping line.

US Atlantic and Gulf ports gained on West Coast Ports in 2017

By Stas Margaronis, AJOT

Atlantic and Gulf Coast ports are gaining ground against the Ports of Los Angeles and Long Beach as well as other US West Coast ports, according to the Pacific Merchant Shipping Association (PMSA) West Coast Trade Report.

The February 2018 noted: "There was a time when East Coast ports handled the majority of the nation's container trade. The emergence of China as a force in global trade changed that. Now with the opening of a new set of locks at the Panama Canal coupled with a shrinking differential in transpacific container rates between the two coasts, the West Coast's dominance is being steadily imperiled."

The report went on to say: "By tonnage, U.S. East Coast (USEC) ports saw an 8.6% increase in containerized shipments from East Asia in 2017, with Charleston (+18.9%) and Jaxport (+24.3%) recording the largest percentage gains. Containerized export tonnage from USEC ports grew even faster (+13.3%), led by Norfolk (+27.1%) and Charleston (+19.7%).

To be sure, the USWC total of 54,213,303 metric tons in East Asian imports last year was more than double the 21,785,439 metric tons that arrived at USEC ports. But, as a harbinger of the future, the USEC ports' upswing of 2,553,342 metric tons in East Asian containerized imports was ominously larger than the 1,501,688 MT increase in East Asian imports recorded by the USWC ports last year."

Inbound loaded containers at the Ports of Los Angeles and Long Beach totaled 8,579,276 TEUs, a gain of 7.4% (+591,954 TEUs) over Calendar Year 2016 and this total also exceeded the previous combined high the two ports set in 2006, but East and Gulf Coast ports are doing better:

"Almost uniformly, East and Gulf Coast ports ran up strong rates of growth for both December and for the year. Collectively, the number of loaded inbound containers arriving at the ten East Coast ports we track were up 7.7% (+55,916 TEUs) in December and 8.2% (+715,911 TEUs) for the year… The export loaded TEU (twenty-foot unit container) side, the numbers continued to be disappointing for USWC (US West Coast) ports."

PMSA noted the US West Coast ports' loss of market share from East Asia:

In dollar-value terms, "USWC ports likewise saw their share of containerized imports from East Asia trade tumble to 66.9% from 70.5% in November and from 69.2% in December 2016. "

The Ports of Los Angeles and Long Beach "together held a 52.9% share of containerized imports by dollar-value, down from 56.7% a month earlier from a 54.3% share in December 2016. "

The report noted that "Economies worldwide are in an unusual period of synchronized growth. That alone should normally drive up export volumes. Add to this a dollar that has been weakening steadily all through 2017, and we should have a formula for expanded shipments to overseas markets."

This is not manifesting itself in big gains for US West Coast ports where data for outbound loaded containers in 2017 showed "the San Pedro Bay ports recorded an unfashionably slender 0.7% (+22,400 TEUs) increase in loaded outbound boxes" and that "Remarkably, the CY2017 total (3,370,441 TEUs) fell short of the numbers the two ports exported in every year from 2010 through 2014."

PMSA also noted that in 2017:

Oakland "fared even worse for the year, showing a 1.8% (-17,142 TEUs) drop in loaded outbound

At the NWSA (Seattle-Tacoma) ports, "export container traffic sagged by 5.8% (-56,929 TEUs) from the previous year."

Collectively, the five major USWC container ports shipped 1.0% (-51,631 TEUs) fewer containers in 2017 than they had in 2016.

Pacific Coast ports—whether in the U.S., Canada or Mexico – "had a generally dismal experience with exports."

This stood in contrast to the much healthier growth trends at most East and Gulf Coast ports. U.S. Commerce Department statistics showed that based on "declared value of containerized imports at U.S. mainland ports, USWC ports held a 47.9% share in December, down from 50.4% in November and from a 49.3% share in December of 2016. At the Ports of Los Angeles and Long Beach, the combined share of the value of mainland U.S. containerized imports in December was 37.2%, down from 39.8% in November and from 38.0% the previous December."

US containerized trade with the economies of East Asia in 2017 showed that in dollar-value terms:

USWC ports "likewise saw their share of containerized imports from East Asia trade tumble to 66.9% from 70.5% in November and from 69.2% in December 2016."

The Ports of Los Angeles and Long Beach "together held a 52.9% share of containerized imports by dollar-value, down from 56.7% a month earlier from a 54.3% share in December 2016."

On a value basis, "the USWC share of containerized exports to East Asia in December edged down to 62.5% from 63.6% in November and from 66.7% in the last month of 2016."

The San Pedro Bay ports also saw their share of the dollar value of containerized exports slip to 43.4% from 43.7% in November and from 47.7% in December 2016."

Port of Oakland doing more work at night than ever before

More truckers now visit the Port of Oakland at night than at any time in its 91-year history. Oakland's largest marine terminal said today that it's conducting between 1,500 and 2,000 daily truck transactions after sundown. That's up from 800 a year ago.

Port officials said that the difference is night and day, pointing out that night gates have:

- Curbed daytime congestion even though Oakland's containerized cargo volume broke records in 2017;
- Reduced truck traffic on city streets and freeways;
- Accelerated shipment deliveries to cargo owners; and
- Enabled truck drivers, mostly independent operators, to transport more containers daily, thereby boosting their income.

"Night operations have transformed the Port," said Executive Director Chris Lytle. "No more 8-to-5 work days…we're too busy for that."

Oakland International Container Terminal (OICT) introduced night gates two years ago to take pressure off overburdened daytime operations. It was the first terminal to open for a second shift in Oakland history. Nearby TraPac marine terminal has been testing night gates, as well. Freight haulers use the gates for everything from picking up loaded import containers to dropping off refrigerated exports.

According to OICT, truck transaction times have averaged 60-to-90 minutes since night gates began. In the past, a driver could wait 2-to-3 hours to conduct business. The terminal said night gates account for about 30 percent of its daily transaction volume.

"We've spread out the truck traffic and improved the drivers' turn times," said Jim Rice, General Manager at Oakland International Container Terminal. "Night gates have allowed us to operate nine shifts a week with a domino effect: there's less traffic and congestion and it's easier for cargo owners to pick up their shipments."

Rapid cargo movement is essential at marine terminals. That's the critical supply chain intersection where ships, trucks and trains hand-off containerized shipments.

Oakland International Container Terminal is the second-busiest marine terminal in the U.S. It handles 60-to-70 percent of all containerized cargo in Oakland. By stretching its workday, the terminal has helped Oakland improve overall operating performance, the Port said.

Crowley Logistics expands Miami warehouse operations

Crowley Logistics opened its newly expanded Medley warehouse in Miami to provide more seamless and efficient supply chain services to South Florida customers. The project, which began in November 2017, consolidates the company's Medley and Doral facilities into the Medley warehouse (10205 NW 108th Ave.), after adding 60,000 square feet to the location.

Now at 180,000 square feet, the warehouse has double the previous number of receiving doors, and features over 5,000 pallet rack positions and 95 container parking spots along with an improved, single direction truck flow to prevent cross-traffic and increase safety.

A section of the warehouse has been activated as a Foreign Trade Zone (FTZ). This allows the facility to receive, store and process cargo without it being subject to formal U.S. Customs entry procedures and payment of duties until the cargo enters the U.S. and is made available for domestic use and consumption - all services which Customized Brokers, Crowley's in-house customs brokerage subsidiary can help customers navigate. No duties, quota charges, state inventory tax, ad valorem or personal property taxes are assessed until the product is withdrawn from the FTZ. Additionally, cargo can now remain in Crowley's FTZ facility for an unlimited amount of time, which is a significant change from the previous 14-day deadline associated with bonded cargo.

"This improved consolidation facility is designed to enhance the customer experience, increase the velocity of our customers' supply chains, decrease total landed costs and offer seamless and reliable collaboration among the varying components of transport," said Frank Larkin, senior vice president and general manager, logistics and commercial services. "Our warehousing and distribution experts can now utilize the additional features of this space to develop quality solutions for shippers who have full or less-than-container loads of cargo moving though the South Florida area."

During the expansion and remodel, all pallet racking was upgraded to the newest, safest system on the market today - Rack Avengers. This system uses high-grade structural steel to re-enforce the base of each rack, allowing it to withstand a forklift impact up to 14,000 pounds at 14 mph, preventing catastrophic racking collapse.

Additionally, to meet the demands of the growing e-commerce market, a devoted receiving area has been constructed to ensure same day, expedited processing of approximately 1,000 small packages received from online shopping. The IT infrastructure, lighting and other safety points across the facility have also been upgraded to keep warehouse staff and visitors safe in the fast-moving work environment.

*(**RISK** – continued from page 20)*

globalization for pummeling the middle classes, the Maersk CEO says it's clear other regions are emerging as economic powerhouses.

"My personal belief is that Europe has more potential," Skou said.

"There are parts of Europe with a lot of potential if they make reforms that strengthen their labor markets and seize the opportunities that arise from digitization," he said. "If the political situation can be kept under control, I think Europe has some good years ahead."

Maersk transported 10.7 million 40-foot containers last year, an increase of 3 percent from 2016. The company's fleet of almost 800 vessels controls about a fifth of the world's seaborne trade, according to industry consultant Alphaliner.

When it comes to the longer term, Skou said Maersk is "positive" on Africa and Latin America. "And that's why we've invested in those two regions."

"Global trade is not at risk of stopping, but we also have to acknowledge that we probably won't get to see new, large free-trade agreements," Skou said. "So we won't get a boost or an acceleration from that, and that's a shame because we think that free trade makes the world richer."

*(**DELIVERS** – continued from page 18)*

Mikhail Smirnykh, General Director, Volga-Dnepr Airlines, noted: "In the course of such deliveries, every single detail is of high importance: loading equipment, qualified crew members, full coordination with the customer regarding provision of the cargo to the airport, the arrangement of powerful cranes, lowbed trailers and the performing of loading/offloading by the airline's certified staff. Volga-Dnepr Airlines is widely experienced in providing transportation services under the conditions of the polar and permafrost regions. For example, last year we carried out 20 flights to Baffinland, Canada. This year, in cooperation with AeroTransCargo, we are proud to be continuing our support of the major infrastructure project for the new gas processing plant on the Yamal Peninsula."

*(**IDLE** – continued from page 19)*

demanding longer-term commitments.

Canadian National Railway Co. now expects a minimum 12-month agreement from oil shippers, Jean-Jacques Ruest, interim chief executive officer, said at a conference March 14.

Oil companies "would get married with pipelines, but they only date the railroad," he said.

Canadian Pacific Railway Ltd. said the surge in crude demand came eight to ten months earlier than anticipated and that, in a few years, newly approved pipelines will carry the crude that will move by rail now, according to a posting on its website. "It is difficult to justify investing in long-life assets like rail and locomotives based on short-term demand."

Torq Energy Logistics Ltd.'s six terminals in Saskatchewan and Alberta are transporting about 50,000 barrels a day, below capacity, Jarrett Zielinski, chief executive officer said in a March 15 phone interview. Torq has been using its fleet of 275 tanker trucks to carry medium and heavy crude across the U.S. border because of the glut, he said.

USD is working with railroads to reach "full operational capacity" at its Hardisty terminal by the second quarter, Meg Martin, spokeswoman, said in an email. Canadian National has signed take-or-pay agreements that will begin in the second half of the year at a pricing that's "above capital cost," Ruest said earlier this month.

"Nearly all" of 130 leased locomotives Canadian National secured earlier this year are in service and "we continue to hire hundreds of conductors and are preparing for a record C$3.2 billion capital program," spokesman Patrick Waldron said in an email.

"In the past, I think producers were very cautious or hesitant to make long-term commitments to shipping by rail," Torq's Zielinski said. "The current state of affairs has maybe adjusted that position somewhat."

*(**PARTNERSHIP** – continued from page 20)*

solidate goods and services including customs clearance, marine transportation shipping, drayage, warehousing and final destination delivery in the U.S. with the full transparency, trust and cost savings of working with MOL and NEXT Trucking.

NEXT Trucking CEO and Co-Founder Lidia Yan said of the partnership, "Transportation is critical to the global economy and it is vital to deliver accessible, affordable solutions that remove the barriers present today. Through this partnership, we are thrilled to continue to deliver on our customer-centric mission with a 20% cost savings while solving critical logistics issues for overseas SMEs."

The partnership between NEXT Trucking and MOL offers overseas customers a one-stop solution for the drayage, warehousing and the delivery of their goods in the U.S. through the NEXT Trucking E-commerce solution.

*(**BREAKS** – continued from page 19)*

In the first half of 2018, work will focus on constructing a pair of rail bridges that will carry a total of seven tracks connecting two existing intermodal container transfer facilities. GPA officials estimate the new terminal will begin coming online by the fall of 2019, with project completion in the fall of 2020. The Mega Rail expansion is funded in part by a $44 million U.S. Department of Transportation FASTLANE grant administered by the Maritime Administration.

"The maritime industry is a crucial component in the overall economic and environmental success of the country," said Maritime Administrator Rear Adm. Mark H. Buzby. "Investments in our nation's port infrastructure improve the efficiency and intermodal capabilities of our nation's ports; allowing the U.S. to remain competitive in the global market."

To serve the expanded rail yard, the GPA is also ordering eight rail-mounted gantry cranes. The RMGs will each span nine tracks for improved efficiency moving containers from trains to on-terminal jockey trucks. Lynch said the growing rail infrastructure complements Savannah's role as a gateway port for container trade.

"The Port of Savannah has the cargo capacity to quickly load unit trains for expedited service to inland population centers," Lynch said. "Over the past year alone, our average container moves per vessel has increased by 15 percent, and exchanges of 5,000 twenty-foot equivalent container units are now common."

Garden City Terminal is already the South Atlantic region's busiest intermodal gateway, handling 38 trains per week of import and export cargo. Once the Mason Mega Rail terminal is complete, the Port of Savannah will have a state-of-the-art facility, unique to the U.S. East Coast.

The new rail infrastructure is part of a comprehensive expansion plan that includes the harbor deepening, the single largest ship-to-shore crane fleet in North America, 60 additional yard cranes and expanding truck gates. "Not only are we bolstering intermodal rail capacity, we are adding bandwidth across all points of interaction - from surface transportation to yard and dock transactions," said GPA COO Ed McCarthy.

*(**TABS** – continued from page 19)*

time charges of about $50 a month. Roughly 70 percent of truckers who have begun using ELDs said they earned less money and 65 percent said they were forced to drive fewer miles, according to a February survey mostly of owner-operators by DAT, which matches truckers with customers.

Analysts have estimated that the regulations will reduce trucking capacity between 2 percent and 5 percent by making it harder for drivers to cheat and squeeze in extra miles to reach a destination.

The disruption even has spread to railroads, especially in drayage, the service of hauling seaborne shipping containers from ports to rail yards.

"Drivers making longer drays are now sometimes unable to complete those moves, and drivers making shorter drays are now sometimes unable to make as many trips per day as they could before ELD implementation," said Amy Casas, a spokeswoman for the BNSF Railway unit of Berkshire Hathaway Inc.

Independent owner-operator Paul Sansoucy, 75, said he had planned to drive for another three years but sold his refrigerated truck in September. The ELD requirement is less about safety than large companies trying to squash competition, argued Sansoucy, who said he was accident-free in five decades behind the wheel.

"I don't need anybody from Washington telling me when I need to rest, when I need to pick up, when I need to drive, when I need to stop," he said. "That just doesn't work for this cowboy."

*(**PROFILE** – continued from page 17)*

as general manager for export pricing] 15 years ago, things have changed. Therefore, it's rather important to stay up-to-date in the industry and utilize contacts from those days who are still in the industry.

One also needs a support cast – in the office and at home as well. I have a wife [Mary] who was in the industry, too, so she understands when I'm talking about demurrage, TEUs or transit times. And the staff here in the office know what they're doing and how to negotiate or deal with certain situations. We also do marine planning and operations in my group. A good team [with four direct reports and a whole team of 27] makes a difference and allows me to sleep well at night.

How has your multilingual, multicultural background served you in your work?

I came over here from Germany in 1985. Prior to that, I learned the business hands-on from scratch as an apprentice at Hapag-Lloyd in Hamburg. Afterwards, I was assigned to operations, marketing, sales and pricing and ultimately sent to the U.S.

When I came to the United States, it was quite shocking. My English wasn't as good as it is today, and I was ready to pack it in after about six weeks of being fed up with not understanding people as well as I should have. But I hung in there, and it all turned out to be great.

Growing up in Germany and traveling in Europe, from a cultural perspective, has served me well. German is not a very beneficial language here in the U.S. If I spoke Spanish, it would probably be more beneficial, but I do speak English and German.

My family back in Germany tells me I'm more American than German today.

Am I correct that you've been involved with teaching the German language to local high school students?

For several years, though not currently, I've helped out about once a month for a couple of hours in assisting students at Dobyns-Bennett High School in Kingsport in learning the German language, talking with them face-to-face or playing games with them, basically giving them an opportunity to talk with someone who's fluent in the language.

My three children have learned German through that [Kingsport] school system. My oldest [William, 24, an auditor with Ernst & Young in New York] did a double major in college in accounting and German. He's the only one who's fluent.

What other outside interests, including leisure activities, do you enjoy?

I do love golfing, although I'm not very good at it, unlike my daughter [Elizabeth, 17, a high school senior], who received scholarship offers to play golf in college. My wife showed me the game, and we enjoyed it when dating and for the past 27 years as a married couple.

The other passion that's a family thing is international travel.

Any places you've been that stand out?

Capetown, St. Petersburg [Russia], Moscow, Athens, Rome, Dubrovnik and Istanbul.

My wife and I have said we'll probably do some travel, just the two of us, after our youngest heads to college. Our son James [21] is studying supply chain at the University of Tennessee, where Elizabeth will be heading in the fall. James wants to follow his dad's footsteps, because he thinks what I do is pretty cool.

Closing thoughts?

For people who are interested in logistics, my thoughts are that once you're in logistics – or procurement or whatever else you're doing in transportation – and you like it, it's almost a lifetime thing, because it is in your blood.