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REPORT



A SUPPLEMENT TO
THE DAILY RECORD
FEBRUARY 2013

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The Port annually generates about:

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Governor Martin O'Malley
MDOT Acting Secretary Darrell B. Mobley
MPA Executive Director James J. White

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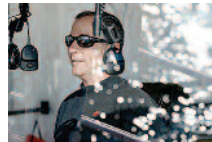
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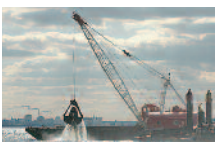
The four new cranes at Seagirt Marine Terminal

Photograph by Bill McAllen



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This marketing report is prepared for the Greater Baltimore Committee by the Special Publications staff of

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LOOKING AHEAD: PORT'S OUTLOOK FOR 2013

By JIM WHITE

Coming off a record year in 2012, the Port of Baltimore is going into 2013 with an internal forecast that shows continued growth for many of our key commodities. At the same time, we continue to closely monitor the economic situations in Europe and China to gauge how that might impact global commerce. While growth is always our goal, we also want to make sure we maintain our U.S.-leading market share in several key cargos.

Our updated strategic plan for the public marine terminals continues to chart our growth. That plan recommends cargo diversity and concentrating our efforts on five key commodities: autos, roll on/roll off (farm and construction machinery), containers, cruise and forest products. Last year, autos at the Port of Baltimore were up 17 percent, coming off a record year in 2011. Auto exports were up 27 percent.

The Port of Baltimore enjoys a 48 percent East Coast market share of farm and construction machinery. Our proximity as the closest East Coast port to the Midwest enables manufacturers to get their products to our port faster and less expensively than to other ports. In 2012, roll on/roll off cargo was



MAXIMILIAN FRANZ

Jim White is executive director of the Maryland Port Administration.

Another key cargo of ours, containers, was up 7.22 percent in 2012. We are very excited about the future of containers at the Port of Baltimore thanks to our public-private partnership with Ports America Chesapeake, which has built a 50-foot-deep container berth and

ships in the world when the Panama Canal project is completed in 2015. However, we are not waiting until then!

We can now receive large ships that travel through the Suez Canal, bringing more cargo and more man-hours to Maryland. In addition to this partnership, CSX's plans to construct a new intermodal facility in Baltimore will give the port a much-needed and long-awaited ability to handled double-stacked container trains. If priced competitively by CSX, this will open up new markets and allow us to further grow this important business.

Our newest strategic commodity — cruise — has also been a bright light for our state. Last year, more than 240,000 people sailed on a cruise from the Port of Baltimore, which was our second-greatest year ever. Since we moved in 2006 into our current cruise terminal, right off Interstate 95, more than 1 million passengers have sailed from our port.

Our year-round cruising program includes two of the most popular cruise lines in the world, Royal Caribbean and Carnival. We regularly see cars parked at our cruise terminal from Pennsylvania, New Jersey, Virginia, North Carolina and Ohio. We are also positioned within the third-largest U.S. consumer market and in a state with the highest median household income in the nation. These factors lead us to believe that cruising has a very promising future at the Port of Baltimore.

While these are all good indicators that show our port trending in the right direction, it is important to note that these successes would not happen without the thousands of men and women that comprise our outstanding port labor force. Going forward, they will be a key reason for our growth and ability to remain as one of Maryland's main economic generators.

**“LAST YEAR, AUTOS AT THE
PORT OF BALTIMORE WERE UP
17 PERCENT.”**

up 16 percent as we handled a record of nearly 1.1 million tons. As the economy continues, with modest growth, roll on/roll off should continue on a good path in 2013.

installed four state-of-the-art super-sized cranes. This partnership has allowed the port to become one of only two East Coast ports that will be ready to handle some of the largest container

MESSAGE TO READERS

BALTIMORE'S PORT: RIGHT PLACE, RIGHT TIME FOR GROWTH

BY DONALD C. FRY

The Port of Baltimore is surging as a major generator of economic growth and is poised for more business and job creation in the coming decade.

This publication, sponsored by the Greater Baltimore Committee and the Maryland Port Administration in partnership with The Daily Record, features reports on key factors that have driven the port's current business surge and offers readers a look at opportunities and industry trends that position the port well for substantive new business on the horizon.

The port's accomplishments during the last several years are significant. Despite operating in an extremely competitive environment, Baltimore's port was able to strengthen its business during a severe recession and has emerged as a post-recession driver of business growth in the Baltimore region and the state.

The port's recent story is one of smart strategy, recognition of competitive opportunities and infrastructure investment for future growth.

The port's record year in 2012 that



MAXIMILIAN FRANZ

Donald C. Fry is president and CEO of the Greater Baltimore Committee and is a member of the Maryland Port Commission.

is detailed in these pages was not an accident. It reflects a strategic focus by public and private port managers

on leveraging Baltimore's strengths, including its mid-Atlantic inland location and a service-driven waterfront workforce, to build value for shippers in key niche cargo markets.

This success was not a fluke and is likely to continue, say experts, largely because of both public and private investment in infrastructure to take full advantage of major opportunities that loom for the port.

This special publication profiles the Seagirt Marine Terminal partnership with the state and CSX's planned new intermodal facility — key infrastructure projects that will define the port's competitiveness in 2013 and beyond.

Also inside are reports on other major shipping and marketing developments driving the port's growth and the strategies for the future. Topics include the port's strengthened cargo-handling infrastructure, its growing success as a cruise port, and the many types of jobs and services generated by Baltimore's working waterfront.

It is positioning itself as the most cost-effective port for moving containers and a compelling variety of other cargo to and from a massive inland market that is eminently accessible to Baltimore. The port is also moving up fast as a convenient departure location of choice for cruise travelers from same market.

Baltimore's unique inland waterfront and its potential as a driver of commerce was a key reason for Baltimore's founding in 1729. I hope that this publication reinforces for readers that almost three centuries later, our port remains the right place at the right time for economic growth.

**“THE PORT HAS EMERGED AS
A POST-RECESSION DRIVER OF
BUSINESS GROWTH IN THE
BALTIMORE REGION AND THE
STATE.”**



RIPPLE EFFECT

Unique public-private partnership gives Seagirt Marine Terminal special place in industry

PHOTO BY MAXIMILIAN FRANZ

By ALAN H. FEILER

Some partnerships work out; some don't. But John C. Martin, a nationally-known expert on seaports, views the January 2010 partnership deal between the Maryland Port Authority and the Ports America Chesapeake group in overseeing Baltimore's Seagirt Marine Terminal as one made in maritime heaven.

"It's been a real exceptional growth," he said of the 50-year public-private partnership lease and concession agreement.

"It's really helped Seagirt exceed other ports in terms of cargo and provided more opportunities for the rail lines. Overall, Baltimore is outperforming its neighbors and setting records on auto growth and roll-on/roll-off growth. Baltimore has become a major growth market."

The newest marine terminal at the Port of Baltimore — it opened in 1990 — Seagirt is a 284-acre, \$220 million complex featuring high-technology

cargo handling systems and equipment. Seagirt now has a new wharf and rail yard, and the terminal can handle 150,000 containers a year.

Helping to make Seagirt world class is its recently completed, 50-foot-deep container berth accompanied by four new state-of-the-art super post-Panamax cranes. The cranes, which are 14 stories tall, were purchased last summer from China for \$40 million.

The Port of Baltimore is now only the second East Coast port, after Norfolk, Va., with both a 50-foot channel and a 50-foot berth, which allows it to accommodate the world's largest container ships, enabling Maryland to attract more cargo business.

The berth, which cost \$105 million to create, is attracting more carriers, Martin said, producing "more cargo, more jobs, more tax revenue for the state."

All of this happens before the much-anticipated widening of the Panama Canal. When the canal expansion is completed, in early 2015, more fully loaded ships and mega-ships will be

able to travel to East Coast ports, including Seagirt. Currently, the majority of such vessels use West Coast ports, with deeper water lanes.

Besides drawing massive cargo ships coming through the Panama Canal, Baltimore is now attracting a great deal of traffic as a first port of call from Europe and Asia through the Suez Canal, according to Martin. Much of that business — most of which emanates from Asian markets — comes to Seagirt and travels to markets in the Midwest such as Chicago and Indianapolis through trucking and rail lines.

"Baltimore is in an excellent position for the future, largely because of its location and proximity [to the Midwest and other markets]," said Martin, whose Martin & Associates firm is based in Lancaster, Pa.

Under the 2010 agreement, Ports America now runs the day-to-day operations at Seagirt. The private company is also involved in other investments at the marine terminal, including endurance testing for the new cranes and

training for the port's longshoremen on the new equipment.

In the arrangement, Ports America receives a base payment and net revenues from the port, while the Maryland Port Authority gets an annual payment and ongoing revenues from Ports America.

"It's been a real team effort to attract additional business to the Port of Baltimore," said Mark Montgomery, president and CEO of Ports America Chesapeake. "It's a very strong relationship, and the stars are really aligning themselves in maritime shipping. We're now getting big-class ships, and at the same time the steamship lines are building bigger ships, so we'll be seeing bigger ships with more cargo."

Officials say the overall investment and revenue to the state has the potential to reach up to \$1.8 billion over the length of the agreement and will generate close to \$16 million annually in new taxes for Maryland. Ports America has

"WE'RE NOW REALLY SET UP WITH THE INFRASTRUCTURE FOR GLOBAL TRADE."

— Mark Montgomery

invested about \$140 million into the upgrading of the terminal, according to Montgomery.

The partnership between the Maryland Port Authority and Ports America has resulted in the creation of 5,700 new jobs at the port, 2,700 of which are permanent.

"The port is a huge economic engine for the region," said Mr. Montgomery. "As cargo comes through and as globalization has occurred, it creates more jobs connected to the port. We're now really set up with the infrastructure for global trade to grow more rapidly at the port of Baltimore."

And with the training of longshoremen to operate the new Post Panamax cranes, he said the port has reached a new level on the world shipping stage.

"We've become one of two ports on the East Coast that can really handle this class of ships," Montgomery said. "It puts us in an infrastructure position as steamship lines look at ports that can service them. Baltimore is now on the check list, with a market that can serve the whole Mid-Atlantic region."

"Baltimore now has the channel and berth and cranes to handle these ships," he said. "It's a very exciting time."

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BY NANCY LUSE

Special to The Daily Record

When someone admires your sweater and asks where it's from, the answer may be Kohl's. If it's your neighbor inquiring about your new lawn mower, you may respond that it came from the Home Depot. But for those who work in the Port of Baltimore, the answer is the same: the docks.

"People don't think about where their goods come from. You go to the store — you don't go to the port to shop — but it all comes through here, whether it's a big-screen TV, furniture, clothing or outdoor equipment," said Richard Scher, director of public affairs for the Maryland Port Administration.

Six public and 30 private terminals are associated with the port that Scher called "one of Maryland's main economic generators." More than

14,000 jobs are directly related to the port, he said, and more than 100,000 other jobs are linked to port activities. According to the most recent figures, the port is responsible for \$3 billion in personal wages and salary and more than \$300 million in state and local taxes.

Baltimore is in the enviable location of being the closest East Coast port to the Midwest by close to 200 miles, Scher said. John L. Coulter, president of privately owned Rukert Terminals Corp., which handles everything from salt, alloys and fertilizers to plywood and steel billets, echoed the advantage of the port's location.

"The most expensive portion of the foreign cargo journey is the inland leg — the trucking and the rail. With a large part of our cargo mix in raw materials heading to the heartland, our customers see significant savings," Coulter said.

"We are also fortunate in Baltimore

that the major north-south highway, I-95, passes through the port and the major east-west highway, I-70, terminates here. This provides an abundance of truck availability for both import and export loads."

Baltimore is the top port among the 360 in the United States for handling such products as farm and construction machinery, autos and light trucks, imported forest products and imported sugar, and ranks second for exported coal and imported salt and aluminum. Scher said the port continues to break its previous records. The most recent complete figures show 38 million tons of cargo being handled in 2011, a 15 percent hike over 2010 — the greatest growth spike by any major U.S. port. The total dollar value of that cargo was more than \$51 billion, according to the Maryland Port Administration (MPA). Nationally, the port ranks 11th for dollar value of the cargo

'IT ALL COMES THROUGH HERE'

From trucks to sugar, the port handles every cargo under the sun

PHOTO BY BILL MCALLEN



and 12th for tonnage.

When the figures were released, Gov. Martin O'Malley was quoted as saying the "results further prove that the Port of Baltimore is on the right track as we

calendar year saw a new record of 9.6 million tons. One notable dropoff: imports of salt. Blame that on a mild winter last year.

A large part of being on the right

"THE PORT IS ON THE RIGHT TRACK AS WE RECOVER FROM THE CHALLENGING ECONOMIC PERIOD."

— Gov. Martin O'Malley

recover from the challenging economic period of the last few years."

Preliminary indications are that figures for 2012 are also rosy. For its 2012 fiscal year, the MPA showed an increase in general cargo of 9.3 million tons, up 7 percent over FY 2011, and the

track, said Scher is "our strategic plan has been to diversify, to not put all our eggs into one basket."

Perhaps nothing points to diversity as much as the different products com-

See **PORT** page 8

TOP TRADING PARTNERS

Export Country	Import Country
China	Canada
Japan	Brazil
South Korea	Chile
Netherlands	China
Brazil	Germany
Ukraine	South Africa
Belgium	United Kingdom
France	Japan
Germany	Mexico
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Continued from page 7

ing and going out of the port, whether it's subway cars, clothing, fuel, road salt or wood pulp to further become everything from paper towels to disposable diapers.

Another example of the MPA's steps to cast a wider net to create more business has been establishing the port in 2009 as a year-round departure point for cruise ships going north to New England and Canada or south to the Caribbean (story, page 12).

The Port of Baltimore has an interesting history, starting with its founding in 1706 when the Maryland Colonial Assembly saw it as key to tobacco trade with England. By all indications the port will continue making history in this world of ever increasing globalization. "We welcome ships all the time that travel the world," Scher said.

TOP COMMODITIES - TONS

Export Commodity	Export Tons	Import Commodity	Import Tons
Coal	19,260,400	Iron Ore	1,902,419
Waste Paper	695,519	Salt	1,460,051
Automobiles	578,904	Sugar	801,052
Oil (not crude)	556,794	Gypsum	577,054
Metal Waste & Scrap	439,203	Vehicles	565,578
Wood (Sawn, Chipped, Sliced)	191,926	Alumina	550,539
Tractors	174,758	Wood Pulp	497,277
Logs	168,177	Oil (not crude)	431,849
Construction Machinery	102,926	Coal Coke	353,969
Coated Iron / Steel Products	89,865	Slag	349,360

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Fresh start for CSX's double-stack rail plan: a new site in the city

PHOTOS BY BILL MCALLEN

By BRUCE VAIL

Special to The Daily Record

Port officials are hopeful that a false start in 2011 is behind them and that a new proposal to improve rail service for international container shipments will make progress this year.

An earlier proposal to build a double-stack container rail terminal in suburban Baltimore was discarded last September in favor of a new site inside the city limits. The most recent proposal avoids many of the problems presented by the old one, and construction could start later this year if all permits are secured, according to Christopher B. Smith, director of strategic infrastructure initiatives for CSX Transportation.

CSX railroad is partnering with the Maryland Department of Transportation in the project, and the partners will share the estimated \$90

million cost, Smith said, which includes approximately \$30 million in state funding. If all goes as planned, the new double-stack rail terminal will be in operation by the end of 2015, he projected.

"This is an important part of improving and streamlining" CSX's rail network in and around the port, Smith said — a vital link in promoting the continued growth of the container-shipping business and ensuring the port's continued vitality.

Leif A. Dormsjo, MDOT's acting deputy secretary, agreed wholeheartedly. With the expansion of the Panama Canal and an expected surge in container shipments, improvements in the rail system are "a good investment in the future of the port," he said.

Dormsjo said both the previous proposal and the new plan were aimed at establishing double-stack container rail service closer to the

Baltimore docks. Railroads nationwide use double-stacking, which employs specialized railcars and container stacking equipment, to cut shipping costs when cargo is moved between ports and inland locations, he said. It is therefore important to CSX and to the port to have double-stack trains if both are to compete against other railroads and other ports, Dormsjo said.

The previous proposal went awry when opposition from residents, rising costs and the lengthy federal review process doomed any likelihood that a new double-stack terminal could be ready for use next year, Smith said. Instead, the railroad turned to a traditional rail terminal that it already owned inside the Baltimore city limits that will be converted to an intermodal facility, he said.

Known as the Mount Clare yard, the

site abuts the Morrell Park neighborhood of southwest Baltimore, stretching south from Interstate 95 where it crosses Washington Boulevard. CSX has owned the property for many years, Smith said, but it's underused now. It had been rejected in the past as a candidate for the new terminal because, at about 70 acres, it was considered too small, he said.

The site was re-evaluated, however, after loud opposition to the proposed suburban plan and public statements from Baltimore Mayor Stephanie Rawlins-Blake that the city would welcome a new terminal, if properly located, Dormsjo said. The terminal plan was modestly downsized, and the Mount Clare site was expanded with the addition of parcels that are owned by the city and the state, he said.

"This was a good solution in a lot of ways. It is already an industrial site in a largely industrial and commercial area. The mayor and other officials have welcomed the idea. And the cost won't be as high," Smith said.

Mindful of the fate of the previous plan, CSX has moved swiftly to engage Baltimore neighborhoods and political leaders in the planning process, Smith said. Key issues such as traffic congestion, pollution and noise controls are already being addressed at the community level, he said.

Indeed, a number of community meetings have already taken place, and the results have been positive, said City Councilman Edward L. Reisinger,



Containers arrive stacked on ships — so why not on trains?

whose district includes Morrell Park.

"I have to say that CSX has done a very pragmatic job in reaching out to community and business groups. We've had four or five meetings. People have concerns, but none of the meetings was hostile," Reisinger said.

The main concern is about new truck traffic that will carry containers from the docks to the terminal. It's estimated that 150 to 200 trucks a day will move in and out of the Mount Clare yard and on to local streets, Reisinger said. Residents don't want that traffic on neighborhood residential streets, he said.

"CSX has been responsive," the

councilman said, noting that the company is working on pollution and noise studies that the community wants and is actively considering alternatives to routing trucks on DeSoto Road.

"We're absolutely committed to doing this in a transparent way with the full participation by the local community," Smith said.

CSX is moving ahead with final planning and design work and will begin applying for city and state permits soon, according to Smith. If all goes smoothly, he said, site preparation would begin in six to 12 months, with the intention of completing construction by the end of 2015.

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By ALAN H. FEILER

Special to The Daily Record

Over the years, Louise Kemper, a veteran local travel agent affiliated with the Raleigh, N.C.-based Travel Experts, has watched with delight as Baltimore's stock has risen as a cruise port. It's a trend she doesn't see abating anytime soon.

"We've certainly grown," said Kemper, who lives in Pikesville. "What I find in my business is that Baltimore attracts a lot of multi-generational groups and the 'drive market' people from Virginia, West Virginia — all over the East Coast. Baltimore has become important [in the cruise industry], and that's good for the city and the economy here."

Last year, more than 240,600 passengers embarked on approximately 100 home port cruises from Balti-

more, going to such destinations as the Caribbean, the Bahamas, Bermuda, New England and Canada, according to Cynthia Burman, general manager for Cruise Maryland, a Maryland Port Administration program. Charm City is a year-round home port for three cruise companies — Carnival Cruise Lines, Royal Caribbean International and American Cruise Lines.

Carnival and Royal Caribbean are by far the biggest companies, and their vessels depart from the South Locust Point Cruise Maryland Terminal at 2001 E. McComas St. American Cruise Lines leaves from the Inner Harbor; a high-end, small-ship outfit based in Guilford, Ct., it offers cruises from Maine to Florida, specializing in voyages along the Mid-Atlantic Inland Passage from Maryland to South Carolina.

"Baltimore is a beautiful city and very accessible. It's very easy for our passengers to get there," said Britt Rabinovici, American's spokesperson. "Some even come a day or two early and spend some time in the city. Baltimore has historical significance, and you can get there from just about anywhere. It's a very popular port for us, and it's a wonderful way to start on our Chesapeake Bay itinerary."

Baltimore is the closest drive-to port on the East Coast for such cities as Chicago, Indianapolis, Cleveland and Pittsburgh. The cruise terminal is easily accessible, located right off I-95, a little more than two miles from the Inner Harbor and 10 miles from BWI Thurgood Marshall Airport. Parking is currently \$15 per cruise night.

Baltimore is now the fifth largest



SMOOTH SAILING

Baltimore continues to emerge as major year-round cruise port

cruise port on the East Coast and the 11th largest in the United States, according to the Cruise Lines International Association. In 2009, Baltimore's first year of year-round cruises, the port handled 167,000 passengers on 81 cruises.

"Home port cruising has gotten very popular," said Burman, noting that about 40 million people live in the states surrounding Maryland. "It has a lot to do with people not wanting to fly. So we're a prime area for cruise lines."

Louise Kemper agreed. "The prices for cabins [on cruises] from Baltimore are generally higher than on Florida cruises because it's more attractive to this East Coast clientele," she said. "Clients would rather put the money into the cruise or a hotel than in an airline ticket."

Besides being centrally located on the East Coast and having its own historic and tourist attractions, Burman attributes Baltimore's growing popularity as a cruise port to its proximity to such cities as Annapolis, Washington, D.C., and Gettysburg. In addition to home port cruises, she noted that cruise liners from companies such as Norwegian, Princess, AIDA and Crystal



PHOTOS BY BILL MCALLEN

The Port of Baltimore's new cruise terminal at South Locust Point.

different sizes.

This year, Burman said the port is excited about the introduction of a revamped state-of-the-art cruise ship at the Baltimore port. She said Royal Caribbean invested about \$47 million in

swer is all about the location.

"The Chesapeake Bay is absolutely beautiful, so cruisers are getting a scenic view of the bay," she said. "They leave at 4 in the evening, and it's beautiful. No one else has that."

The cruise port's success translates into \$90 million in economic revenue for the state, Burman said, benefiting such local businesses as hotels, restaurants, taxi companies, museums and retail stores.

Kemper said the downside to Baltimore as a cruise port is its limitations in travel accessibility. "We're limited in where they can go. To get to Alaska or somewhere like that would take a tremendous amount of sailing around, so we're more relegated to the Bahamas and Bermuda and New England," she said.

Still, Kemper hopes that the port will continue to attract more cruise lines and ships here, to showcase Baltimore. And she has a vested interest in seeing new vessels. "Besides being good for the city, it's a good way for agents to have a chance to show the ships" to prospective cruise passengers, she said.

"CLIENTS WOULD RATHER PUT THE MONEY INTO THE CRUISE OR A HOTEL THAN IN AN AIRLINE TICKET."

— Louise Kemper

Cruises made seven port calls to Baltimore last year, with passengers disembarking to visit local points of interest.

"Every year, it's a different mix of lines that work Baltimore into their itineraries," Burman said.

Also, she said the Baltimore cruise port is customer-friendly. In 2011, the port opened a climate-controlled enclosed passenger boarding bridge that accommodates ships of

the ship, Grandeur of the Seas.

"People always say, 'When are you getting a new ship?'" she said. "Anytime you get a new ship, you get a lot of repeat cruisers. So now we're getting a new ship, and that doesn't happen often. It's a big deal for us."

Some might wonder how Baltimore, which is located about 150 miles from the Atlantic Ocean, evolved into a major cruise port. Burman said the an-

BY JEN DeGREGORIO

Special to The Daily Record

The Port of Baltimore has the good fortune of being one of only two East Coast ports with channels deep enough to accommodate the gargantuan vessels that will be moving through the enlarged Panama Canal.

The challenge, however, will be readying the port's channels for larger ships at a time when federal funding for dredging is scarce. With the Panama Canal set to allow vessels twice as large as it does now — some approaching the size of the Empire State Building laid on its side — keeping shipping lanes at their fully authorized depths will be more crucial than ever.

"We need that 50-foot channel," said the port's executive director, James J. White, who, along with Maryland's congressional delegation, is lobbying for more money to keep the port's water-

ways as deep and as wide as possible. "But in the past, we have had significant problems with dredging."

Indeed, maintaining that 50-foot depth — along with other smaller arteries that feed the port — costs roughly twice as much as what is actually budgeted, White said. The U.S. Army Corps of Engineers, the branch of federal government charged with sustaining the nation's commercial waterways, usually has around \$17 million dollars to dredge the Port of Baltimore's shipping lanes each year, according to Steven Brown of the Army Corps' Baltimore District. But it would take closer to \$40 million to fully plumb every channel, White said.

Army Corps officials do not deny that fact.

"The money I get in every year, I cannot dredge every channel," Brown said.

A stark reminder came late last year

when shoaling in the C&D Canal reduced its depth by several feet, threatening safe passage of ships through the lane, which handles nearly half of the port's annual traffic.

The Army Corps' Baltimore and Philadelphia districts, which share responsibility for the waterways leading into the port, had to scramble to find more than \$8 million to dredge the tons of heavy muck that had settled at the bottom of the canal, a months-long project. Meanwhile, shippers had to plan their trips at high tide to ensure their vessels wouldn't scrape the bottom, a process that cost them time in an industry where time is money.

"The dredging situation affects all of us, whether you're in the trucking industry or what have you," said Paul Kelly, chairman of the Baltimore Port Alliance and vice president of A&S Services Group, a trucking company.

At an authorized 35 feet, the C&D is

UNBLOCKING THE ARTERIES

The port depends on its shipping channels, and the channels depend on dredging

PHOTO BY ERIC STOCKLIN



not deep enough to handle the largest ships that will be coming through the bigger Panama Canal. But it may see increased traffic of smaller vessels because the canal expansion is expected to boost international shipping in general.

"We're probably going to see a definite increase in container volume," White said. "We've already seen some of the benefits from the bigger ships coming through the Suez Canal."

Although emergencies such as the C&D shoaling have been taken care of in the past, budget restrictions and congressional politics may limit funding for last-minute fixes in the future.

"In the past ... we could always go to our congressional delegation and say, 'We need your help,' and they'd work their magic in Washington," White said.

That magic, however, may not do the trick in the years ahead. Washington has cracked down heavily on ear-

marks, that old political tactic in which lawmakers were able to tack funding for special projects onto big pieces of legislation moving through Congress. That makes the need for more dredging funds up front greater, according to White.

"We're working with the Army Corps of Engineers; we're working with our Senate delegation," he said. "Our main concern is getting the Army Corps of Engineers the funding they need to keep our channels safe and deep."

The port's primary 50-foot channel — through the Chesapeake Bay — has managed to keep its depth; but it has actually grown narrower in places than it is authorized to be, according to White. Meanwhile, changing world climate patterns promise to bring more storms, which kick up silt and increase the risk of shoaling.

And it's not only the dredging itself that costs money: Finding a place to

store the material is an added challenge. There are only two sites designated to take in the mud dredged from the port's waterways, in Masonville and Cox Creek, both of which are nearing capacity. The state is looking at Coke Point, part of the old steel mill complex at Sparrows Point.

"We really need a third site," said White, who added that the port is in talks with a private investor who might pay to use the dredged material to build a new marine terminal.

All of these issues are pushing port officials to lobby harder than ever for increased funding for dredging. Whether the port will get its wish remains anybody's guess.

"Historically, we've been appropriated about \$17 million a year for the Port of Baltimore; we've been using that as a planning factor," Brown said. "But, of course, history cannot project what's in the future."

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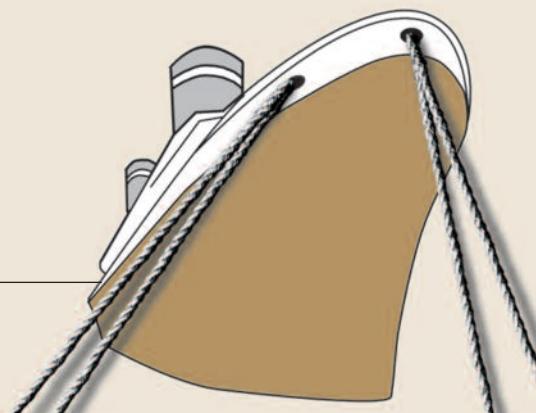
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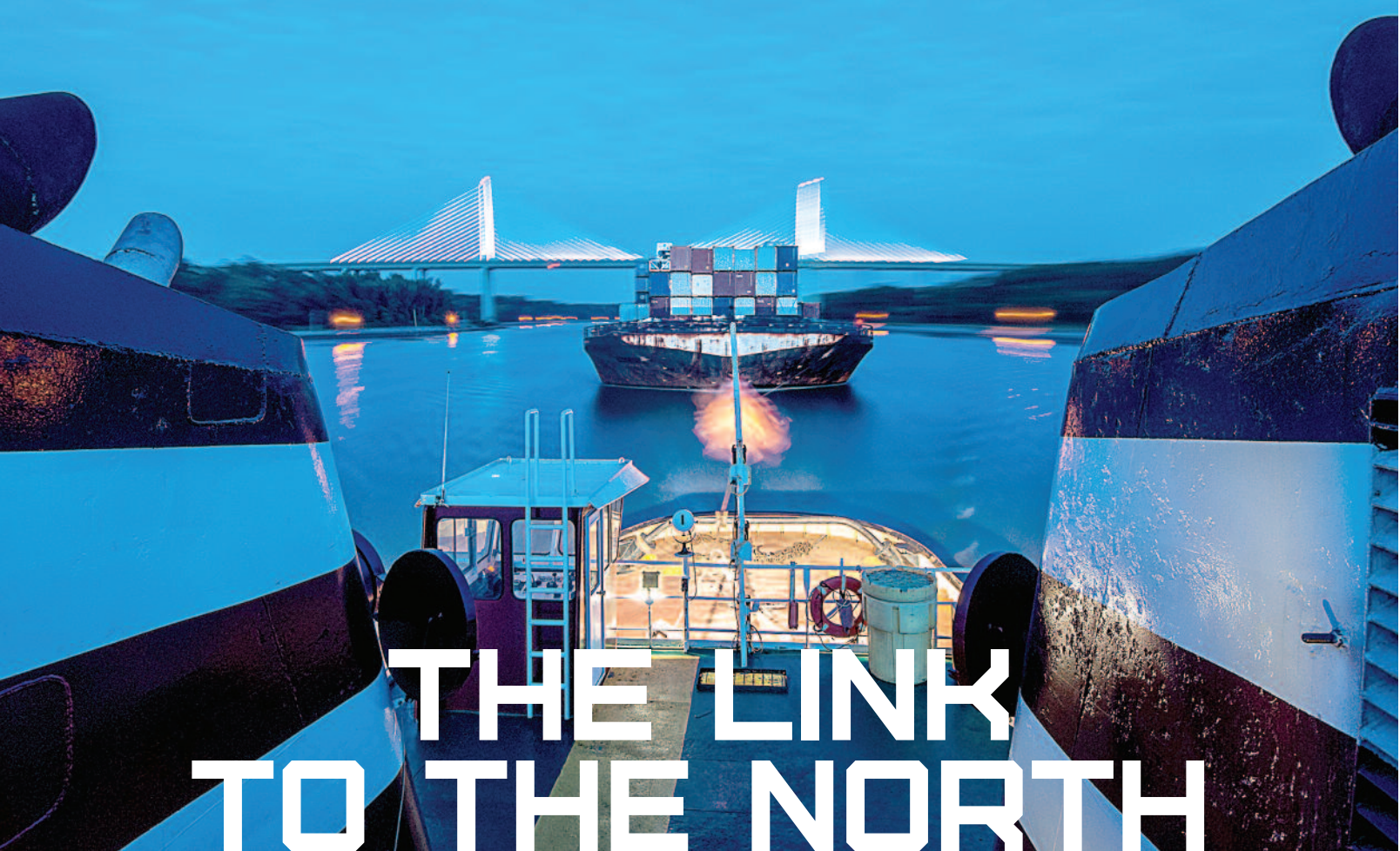
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C&D Canal serves 7,800 ships, tugs and barges a year in transit from bay to bay

PHOTO BY BRIAN GAUVIN

By KATHY BERGREN SMITH
Special to The Daily Record

Travelers driving along Route 301 through the farmlands of Delaware often do a double take as they cross the Summit Bridge. There, in the middle of the rural landscape, an ocean-going freighter looms in the narrow waterway beneath the bridge.

This is the Chesapeake and Delaware Canal, a 14-mile commercial waterway that provides a link between the Port of Baltimore and other ports on the East Coast. The C&D, as it is known locally, connects the upper reaches of the Chesapeake Bay with the Delaware Bay some 35.5 miles below Philadelphia and 51 miles from the Atlantic. Each year, fully 40 percent of the ships, tugs and barges calling on the Port of Baltimore use this inside passage. A vessel leaving Philadelphia for Baltimore will save 265 nautical miles by using the canal.

"The canal provides an essential service to the Port of Baltimore by al-

lowing smaller ships to take a short cut out of the heavy weather on the Atlantic," said Helen Delich Bentley, the former congresswoman and maritime consultant in honor of whom the Port of Baltimore is named. "There is also fuel and pilotage savings."

A Dutch mapmaker visiting the region in the late 1600s first noted the proximity of the two bays, and the idea of linking them was seized upon by commercial interests. After the Revolutionary War, Benjamin Franklin led a group of Philadelphia businessmen in a study to construct the canal to link the ports of Philadelphia and Baltimore. Construction began in 1820 and was completed in 1829.

In 1920, the canal was purchased by the U.S. Army Corps of Engineers for \$2.5 million, and it became part of the newly created Intracoastal Waterway. The Corps removed the locks from the original canal and undertook a major expansion to accommodate the steamships crowding the narrow canal. The deepening and widening of the

C&D and the cat-and-mouse game of trying to keep up with larger and larger ships has bedeviled the canal ever since.

Today's canal is maintained by the Philadelphia sector of the Corps of Engineers at a depth of 35 feet at a width of 450 feet. Commercial traffic is closely controlled from the Corps office in Chesapeake City; an approaching vessel must report in two hours before entering the canal, and the transit is first-come, first-served. Some 7,800 ships, tugs and barges transit the canal annually, according to Larry Brown at the dispatch desk at the Corps control center.

Tugs and barges make up the majority of the traffic through the canal. According to the Corps, about 350 tugs and barges use the canal monthly. Much of the barge traffic is petroleum products from the refineries on the Delaware River, coal and other bulk commodities.

"Our vessels make two to four trips per week through the canal," said Ed Whitmore, president of Norfolk Tug, a

Hampton Roads, Va., company.

Ships are guided through the canal by Maryland and Delaware pilots. The canal's twists and turns make the transit the most complex of the Maryland pilots' territory, the second longest in the country beginning at the mouth of the Chesapeake.

"It is four hours that require your complete concentration," said Michael Flanagan, a senior pilot with the Association of Maryland Pilots. "Everything is compressed in the canal; all of the interactions are enhanced."

The ships that use the canal are shallower draft vessels such as smaller cargo ships, tankers and car carriers.

"Would Baltimore be the No. 1 auto port on the East Coast without the C&D? Probably not," said Lawrence Johnson, automobile trade development specialist at the Maryland Port Administration. The time saved by taking the short cut is a selling point for

"WOULD BALTIMORE BE THE NO. 1 AUTO PORT ON THE EAST COAST WITHOUT THE C&D? PROBABLY NOT."

— Lawrence Johnson

ocean carriers that are visiting multiple ports.

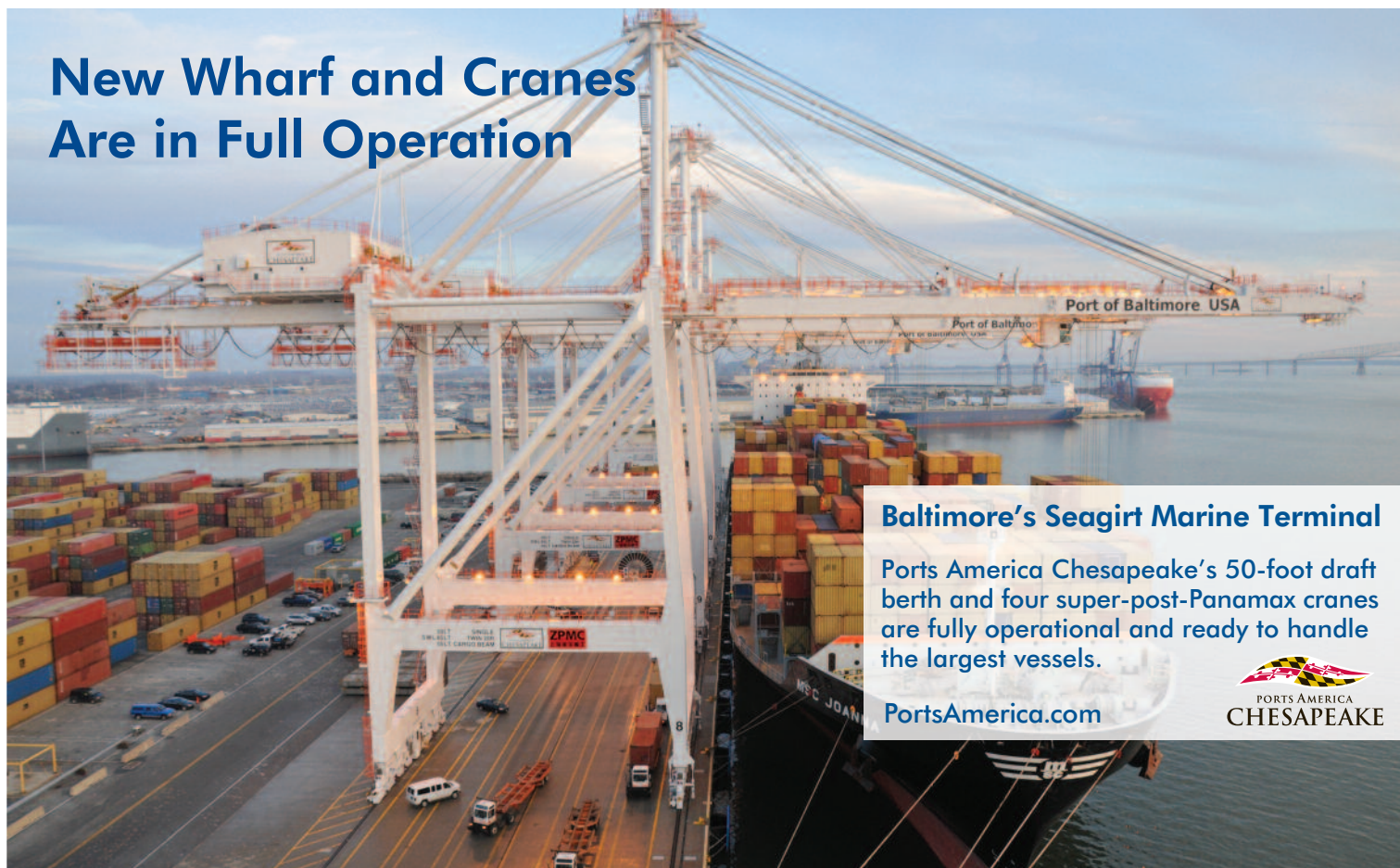
To stay competitive, Johnson says the depth must be maintained. Recently, the approach was shoaled in to 31 feet and required emergency dredging to restore the proper depth (story, page xx). The dredging and the transport of the dredged material cost \$8.6 million that was not included in the canal's \$17 million budget last year.

As the Port of Baltimore courts larger container ships with its new 50-

foot-deep berth, maritime consultant Bentley says the C&D will remain an important waterway.

"Smaller ships utilizing the canal will ease traffic on the main channel of the bay when the larger ships begin to call on the port after the Panama Canal expansion is complete," Bentley said. Asked if an oft-discussed expansion of the canal is still on the table, Bentley said bluntly: "We will be lucky to maintain the C&D at its authorized depth and width."

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A DAY IN THE LIFE OF A TUGBOAT

How 4,000 horsepower tames the toughest ship

PHOTOS BY MAXIMILIAN FRANZ

BY JEANNETTE BELLIVEAU

Special to The Daily Record

Capt. Bob Dempsey eases the Robert E. McAllister away from the McAllister Towing terminal in Locust Point. A pair of twin azimuth stern drives allow the tractor tug to crab sideways into the Patapsco River. The drives also permit the Robert E. to turn in its own length as it nimbly assists ships into and out of harbor berths — which is what it does hundreds of times a year to keep the Port of Baltimore humming.

On this early January afternoon, the cobalt Patapsco lies down almost smooth under a brilliant sky. At 8.9 knots, the Robert E. moves easily, barely testing the 4,000-horsepower twin engines. The sedate speed allows the tug to just sip its ultra-low-sulfur diesel.

To port, the Clinton Street, Rukert, CSX and Canton marine terminals glide past. Next loom the massive, cornflower-blue cranes at Seagirt. Sunlight washes through the massive pilot-house windows, two stories above the water.

A day in the life of a tugboat and her crew isn't always so perfect, especially when they need to move a huge ship at night in a tempest. "If you ever want to come back at 3 in the morning with 49 mile-a-hour winds, you're welcome," Dempsey says, tongue in cheek. But today, flocks of cormorants scatter to starboard. On other days, the tugboat chugs past deer swimming to Fort McHenry and foxes perched on the Seagirt pier.

"Isn't this a great window to look out every day?" Dempsey asks, perched in his captain's chair, hands lightly on the throttle and steering controls to ei-

ther side.

Dempsey handles the wheel while the deckhand, Josh Biebesheimer, works the lines. Both are married fathers of two. Biebesheimer notes of their work schedule — two weeks on, two weeks off — "For 14 days, they own you."

"People don't understand what we do. It's like the military: Unless you've been a soldier, you don't understand the work," says Dempsey, formerly a civilian with the Military Sealift Command. "It's good when folks ride along; they get to see what we do. It's repetitious, but I just go in, get on my boat and I'm in charge."

The work

The tug's destination, Seagirt Marine Terminal, resembles a massive parking lot that happens to have huge ships and cranes on its periphery. Dempsey

brings the bow of Robert E. — named after a sixth-generation member of the McAllister family — to the side of a container ship.

A hard-hatted crew member awaits on the deck of the Maersk Wakamatsu, 564 feet long. Biebesheimer tosses up a messenger, a smaller line, to the hard hat while Dempsey radios the container ship's docking pilot. The hard hat hauls up the messenger, dragging behind it a thick hawser connected to a towing winch at the bow of the 104-foot tug.

After a tiny pull as the Robert E. reverses at idling speed, the Maersk Wakamatsu skates almost imperceptibly away from the terminal. Following an artful ballet between the tug captain, the docking pilot and the container ship's awakening propellers and thrusters, both vessels glide into the Fort McHenry Channel.

Dempsey studies the hull looming in front of the tug's bow but keeps the hawser slack to avoid impeding the vessel's progress.

"You can have your line," the docking pilot announces over the radio. The Maersk Wakamatsu, berthed facing northwest, completes a long, slow turn and heads southeast on its own power for the Key Bridge, the Chesapeake Bay and the Atlantic Ocean.

Dempsey logs the entire 17-minute procedure. Docking a ship takes about twice as long. "Alongside at 1320, started at 1325, completed at 1337," he tells the McAllister dispatcher at Locust Point over the radio. It's one of about 3,000 tug moves the company's three tugs handle each year.

The fleet

Baltimore is one of the smaller hubs on McAllister's list of 12 port locations stretching from Portland, Maine, to Puerto Rico. Like fellow tugboat company Moran, McAllister, a family-owned firm, focuses on the East Coast. Workers in Baltimore's harbor are part of a national labor force of 12,650 captains, mates and pilots, including harbor and barge tugs, the American Waterways Operators says.



McAllister's three tugboats in Baltimore — the others are the Donal G. and the Kaleen — are part of a fleet of 12 that serve the port. Krause Marine Towing operates six and Moran Towing Corp. three. The dozen tugs handle 1,900 or so of Baltimore's 2,000 ship visits a year. The other 100 involve cruise ships or vessels with their own powerful thrusters that don't need tug assistance except in cases of bad weather.

Costs for tugboat assistance vary, depending on vessel tonnage and fuel prices. Shipping companies with high volume, like Maersk and ACL, sign contracts to handle their work at a set rate.

Living aboard

To understand a day in the life of a tugboat, multiply the Maersk Wakamatsu by three — with jobs at, say, 10 p.m., midnight and 5 a.m. — and then by 14 over two weeks. Captain and crew find it easier to live aboard the tug than to go home and be interrupted at a movie, a family gathering or a birthday party to come in and work.

Prime time around the harbor is from 1800 to 0600 hours in marine-

speak. Dock labor for loading and unloading costs less during the day, so ships dock and undock at night. Thus, a typical day in the life of a crew involves not so much tugboat work as napping, logging on to WiFi or relaxing with a Kindle. Both Dempsey and Biebesheimer love to read, when tasks like chipping and painting the tug are complete.

Staffing has dwindled significantly over the decades. Dempsey and Biebesheimer describe the 1950s: a time of a seven-man crew on a tugboat, including a cook. And of pilothouses foggy with cigarette smoke — not a carton of yogurt in sight.

Now the captain and deckhand handle the work while under way. They eat more healthily, too, shopping for sandwiches and yogurt at the Harris Teeter in Locust Point. It's a taste of home for these men who find that harbor tugboats provide the perfect job for a mariner who wants to maintain a family life. Their complex job — at its heart, tossing a rope to a huge ship and temporarily serving as a giant engine and rudder — looks deceptively simple in their hands.

THE PORT BY THE NUMBERS

\$4.6B

Value of automobiles imported

\$7.7B

Value of automobiles exported

4.3M

Tons of cargo exported to China

528K

Tons of cargo imported from Germany

1.5M

Tons of salt imported

40.2%

Increase in total bulk exports, 2010 to 2011

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