

# Ahead two-thirds?

*New York-New Jersey continues expansion, but wonders if there is a 'new normal.'*

By CHRIS DUPIN

Over the past decade, the Port Authority of New York and New Jersey has experienced rapid cargo growth averaging 7 percent to 8 percent per year, even enjoying double-digit gains in some years.

The port benefited from a buoyant economy, growth in all-water services from Asia, and lingering concern by shippers about the reliability of supply chains moving through West Coast ports after the lockout of longshoremen in 2002.

"We were pretty confident about the future. It was pretty easy to say next year is going to be better than this year," said Richard Larrabee, head of the agency's port department. The port authority's principal challenge was "growing more capacity to handle larger volumes, not only of containers, but also cars."

As with most ports worldwide, "all that changed overnight," he said. "Starting in the fall of 2008, and continuing through the first three quarters of 2009, the bottom dropped out."

The port ended 2009 with 3.64 million TEUs of loaded containers, down 13.7 percent from 2008. Motor vehicles dropped 40 percent to 617,831 units. Bulk cargo volumes fell about 10 percent to 49.7 million tons.

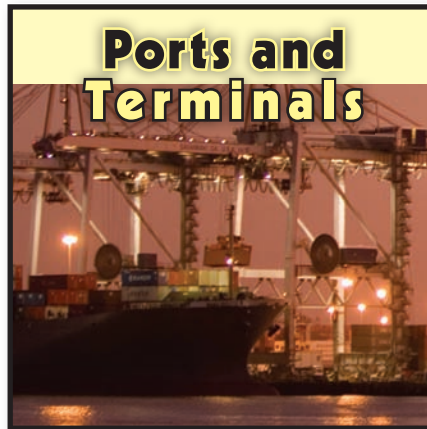
The number of man-hours worked by longshoremen in the port also fell about 14 percent in 2009, said Joseph Curto, president of the New York Shipping Association (NYSA), the organization that represents employers of longshoremen in the port.

"But when you look at other ports, particularly in the North Atlantic range, it is not as bad as some of the others," Curto said.

To offset the decline in volumes, the NYSA has raised assessments used to fund benefit programs for longshoremen on some trades or reduced discounts traditionally enjoyed by others — for example, ships sailing to and from Puerto Rico and Bermuda.

Curto said in the first three months of 2010, volumes have substantially improved from 2009 for container workers, but auto work remains slow.

The Maritime Association of New York



and New Jersey estimates an 8.5 percent decline in ship calls in 2009, including those that call private facilities such as oil and chemical terminals as well as port authority docks.

Ed Kelly, the maritime association's president, said the number of ship calls did not decline as rapidly because consumption of commodities such as fuel and heating oil did not drop as much as containerized goods, and many container companies continued to run their usual weekly services, even if their ships were only partially full.



Kelly

The slowdown "clearly had an effect on us in terms of our needs in the port as well as having to begin to rethink what the future is going to look like," Larrabee said. "The real question is what happens over the course of the next five to 10 years and do we need to readjust — is there a new normal?"

While growth is expected, the port is "not making any strong predictions about whether business comes roaring back or in a more modest way," he said. In January and February, import/export container volume improved 5.3 percent to 585,110 TEUs, but was still below levels in 2008 and 2007.

Where the port used to plan for about 5 percent annual growth, it has dialed back

projections, while retaining flexibility to move faster with projects if growth picks up.

**Meeting Challenges.** But even if growth is more subdued, the port will need to add capacity, Larrabee said. The agency has a number of projects planned to handle additional volumes and achieve another goal — lightening the port's environmental impact.

A major challenge for New York — and the other East Coast ports — is the competition to handle the very largest container-ships once the Panama Canal expansion is completed in 2014 or 2015.

The ports of Norfolk and Baltimore already have 50-foot channels due to their involvement in the coal trade, but New York expects to deepen to 50 feet by 2015.

"As ships get larger, they are going to reduce the number of port calls they make," Larrabee said. "Today all-water services are probably cheaper than their competitive services from the West Coast, and the fact that cost is the pivotal driver these days is something I think we will benefit from."

The port is spending about \$90 million in fiscal year 2010, and the Obama administration's budget provides for another \$57 million through the Army Corps of Engineers in fiscal year 2011, about what the port had budgeted.

The port has also spent heavily in recent years beefing up its on-dock rail facilities so containers can be transferred between ship and railroad car. A deeper harbor and on-dock rail are key steps to remain attractive to shippers of discretionary cargo.

New York has a huge consumer market that draws many carriers, but the port also



Richard Larrabee  
port department  
director,  
Port Authority  
of New York  
and New Jersey

***"Competition is a word that looms large in this conversation. Speed, reliability and cost are three factors that we always have to be measured against."***

## New York-New Jersey port trade 2005-2009

(In TEUs, motor vehicle units, metric tons and rail lifts)

Year	TEUs	Motor vehicle units	General cargo*	Bulk-general cargo*	On-dock rail lifts
2005	4,785,318	722,411	28,132,497	84,754,023	303,032
2006	5,086,070	852,252	31,194,421	86,162,562	338,884
2007	5,299,105	930,298	32,817,498	87,231,330	358,043
2008	5,265,053	1,031,540	33,633,613	88,906,267	377,827
2009	4,561,527	617,831	28,240,770	77,903,137	308,131

\* in metric tons.

Source: Port Authority of New York and New Jersey.

wants carriers to continue to make it the first port call for East Coast services.

“Competition is a word that looms large in this conversation. Speed, reliability and cost are three factors that we always have to be measured against,” Larrabee said. “Unless you can compete on those three fundamental drivers, the cargo will find another path, because the cargo takes the path of least resistance.”

Once ships call New York, “the question is how to get to its ultimate destination,” he said.

**On-Dock Rail.** “New York is always the preferred gateway for Midwest cargo when it is the first port of call after the Atlantic crossing due to transit time,” said

Peter Stone, chief commercial officer for Ports America, owner of the Port Newark Container Terminal. “The majority of that cargo moves by rail and PNCT’s on-dock rail is well-positioned to serve as a primary gateway for the Midwest to and from Europe and the Suez services.”

“We want to see bigger ships here; the bigger ships mean more volume coming through the port for the big box operators like Wal-Mart and Target and everyone else,” said Steve Schulein, director of imports at National Retail Systems, a company that handles about 60,000 drayage containers annually, split equally between East and West coasts. He said New York-New Jersey needs access for bigger vessels “if we are going to continue to grow the port the way

the port has grown in the past, even though it has slowed down in the past year.”

The port has spent heavily on its on-dock rail terminals, which it calls ExpressRail. Last year it added a second lead track into Port Elizabeth so it can build up to four 10,000-foot trains simultaneously, and increased its annual capacity to 1.3 million containers. It now has on-dock rail facilities in Elizabeth, Newark and Staten Island, and has plans to build an intermodal facility in Jersey City capable of 250,000 lifts per year.

“The frustration is, as we are building this capacity, rail volumes dropped off even more than container volumes,” Larrabee said. After nearly two decades of continuous growth, the port’s on-dock rail facilities had 308,131 lifts, 18 percent less than in 2009, and below 2006-2008 levels as well.

The additional track, “not only allows us to build more capacity, but to block those trains for specific destinations,” Larrabee explained. So a train can be built to go directly from Elizabeth to Chicago or other destinations, without having to be combined with other cars at some other location.

Peter Zantal, general manager of strategic analysis and industry relations at the port authority, said New York would remain attractive to shippers in the Midwest even

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after the completion of the Heartland Corridor. The port offers two routes to Chicago — 884 miles via Norfolk Southern and 970 miles via CSX — that will be shorter than the 1,031-mile route from Norfolk to Chicago via the Heartland Corridor when that project is completed.

The port also said railroads are beginning to have success with shorter distance intermodal services to cities such as Pittsburgh, Harrisburg and Buffalo as well as to Chicago, Detroit, and destinations in Ohio. The port expects that advantage to grow as fuel prices increase.

In all, the port highlights scheduled ExpressRail service to 16 U.S. cities, from Kansas City and East St. Louis, to landbridge service to Los Angeles and San Bernardino, Calif.

In Canada it directly serves Montreal and Toronto, and Toronto and Southern Ontario through Buffalo via local drayage. “If you look at a map we are actually closer to the Quebec and Ontario market than Halifax both rail-wise and road-wise,” Zantal said. The strength is most pronounced in the Asian and South American trades, less so than with Europe where Montreal enjoys many direct European services.

Today about 15 percent of the port’s cargo moves through rail facilities, including off-dock facilities in places such as Croxton and Little Ferry, and the port would like to get that up to 20 percent.

**Competition.** Larrabee said one advantage carriers and shippers have moving cargo through New York is strong competition among terminal operators, trucking companies and related businesses.

As cargo volumes have dropped, competition among terminal operators has heated up. In the fourth quarter, the Port Newark Container Terminal wrested the Mediterranean Shipping Co. account from Maher Terminals in Elizabeth.

That created challenges for the port as volumes to PNCT surged, creating traffic snarls, and leaving nearby Maher Terminal with large amounts of excess capacity — frustrating not only for Maher but for the port authority, which has invested heavily in both terminal’s infrastructure.

PNCT extended hours and worked with the port authority to obtain additional space on a short-term basis. Over the long term, Larrabee said the port is considering relocation and demolition of warehouses in Port Newark to make room for expanded container storage and room to handle breakbulk cargo.

It has also signed a new lease with a major auto terminal FAPS, with the idea that they may build a more modern auto processing

facility, perhaps a multilevel facility.

Larrabee said the port could add significant capacity by doing more with its current footprint by using modern technology such as rail-mounted gantries instead of straddle carriers.

As the port adds new facilities it will require tenants to meet higher levels of productivity on the acreage they lease, he said.

Though volumes are depressed, Larrabee said the port is “in the neighborhood of 3,000 to 3,500 containers per acre — we think that number could easily double with more modern container handling equipment and at the same time improved gates, efficiencies and other aspects of the system.” Extending hours would be another way to increase capacity at the port, he said.

One of the properties the port authority has allowed MSC to use temporarily is a 60-acre lot just off the docks that was formerly used for automobile storage. The port has asked for long-term proposals on the property, and one possibility is using it for one or more chassis pool operators.

There are several chassis pools in the port, but Kelly said, “Several is as bad as none. New York needs a common chassis pool. Not having one is an obstacle to doing business in the port.

“People have to make dead hauls and return chassis, there are different levels of repair and different standards of interchange — it’s just a nightmare and it needs to be at least a common chassis pool, preferably a national chassis pool,” he said.

As carriers have looked to control costs during the downturn in shipping, Kelly and others believe it may motivate lines to get out of the chassis business altogether and have truckers supply the chassis as is done in other countries.

**Expansion.** The port has several terminal expansion projects in the planning stages.

New York Container Terminal (NYCT) at Howland Hook on Staten Island wants to develop a fourth berth at its facility at a cost of \$350 million. Though it would only have a 40-acre footprint, it would double capacity at the 187-acre terminal by using high-speed rail-mounted gantries, said Jim Devine, president of Global Container Terminals, which operates NYCT and the Global Terminal in Jersey City.

The port authority is also looking at allowing direct access to NYCT from a new bridge to replace the Goethals Bridge, the span that connects Staten Island to New Jersey.

Plans are also underway for a new container terminal in Jersey City on a piece of

land adjacent to the Global Terminal that had been used for automobile imports by North East Automobile Terminal.

Auto processing by BMW is continuing north of the terminal and Ports America has opened an auto terminal south of the shipping channel that also serves Global, after outbidding the port authority for the property when it was sold by the City of Bayonne, N.J.

While a deal has not been sealed, there is speculation that Global, which straddles the borders of Jersey City and Bayonne, could be expanded to the port authority’s new terminal at the location.



**Devine**

**Bayonne Bridge.** The new terminal, like Global, would have a major advantage over the port’s other major container terminals because they are east of the Bayonne Bridge and able to handle large ships once the Army Corps of Engineers completes dredging the channel to 50 feet.

Big ships need deep water, but many of the containerships going to terminals on Staten Island and in Newark and Elizabeth have an additional obstacle — the limited “air draft” beneath the Bayonne Bridge.

There is only 151 to 156 feet between the water’s surface and the underside of the bridge roadway depending on the tide, and that is too low for many post-Panamax containerships, though 6,700- to 7,000-TEU ships regularly call the port.

MSC surprised many early this year by bringing in several ships with capacity of more than 8,000 TEUs in what it said were temporary insertions in its trans-Suez Golden Gate Service from the Far East. The ships were brought under the Bayonne Bridge and worked at the Port Newark Container Terminal without incident.

But the Bayonne Bridge air draft is expected to become even more of an issue as larger ships transit the Panama Canal after its expansion by 2015. Kelly suggested it’s also likely big ships could increasingly come through the Suez Canal if, as some analysts predict, Asian manufacturing shifts south and west toward India.

The port authority’s leaders have repeatedly emphasized their resolve during the past year to tackle the problem presented by the Bayonne Bridge.

A Corps study completed for the authority last August found replacing it with a new or modified bridge with 215 feet of air draft would cost \$1.3 billion to \$2.2 billion and that a tunnel would cost \$2.2

billion to \$3.1 billion and take 10 years or more to complete.

That's a huge cost for an agency that saw revenues dip not only from the port, but also from its bridges, tunnels, and airports and commuter railroad because of the recession. And the agency has a number of other big capital projects underway—rebuilding the World Trade Center; replacing the Goethals Bridge, another aged structure between New Jersey and Staten Island; and a \$1 billion commitment to a new commuter rail tunnel beneath the Hudson.

A follow-up \$10 million study by the Corps this year, that aims to pick the best alternative, has caused some expression of impatience with port businesses. But the port authority said it will speed the process down the road, when documents like environmental impact statements have to be prepared.

The port is also exploring a tantalizing proposal—modifying the center span of the Bayonne Bridge into a lift bridge so that big ships could pass beneath it. If that happens, the cost of the project might plummet to the \$250 million range and the work could be completed in three years.

But there is still a lot of work that needs to be done to see if the idea is feasible, including the impact of raising the bridge on local traffic and how robust the modified bridge would be.

Kelly, for one, is skeptical, believing that for safety's sake the bridge would have to be raised well before ships approached it, creating untenable traffic tie-ups. But pilots said there was once a drawbridge in Newark Bay.

While the new set of locks being built for the Panama Canal will be able to accommodate ships carrying 12,600 TEUs, Larrabee said it is not clear that ships of even 10,000 or 11,000 TEUs will call U.S. East Coast ports.

Some analysts believe cargo will transload onto smaller feeder ships in the Caribbean. If that's the case, New York may have some breathing room in how quickly a replacement for the Bayonne Bridge must be built.

**Clearing The Air.** Last year the port unveiled a comprehensive clean air strategy that aims to reduce pollution from all sources—ships, terminal equipment, railroads and trucks.

The idea is to reduce the health impacts from pollutants, particularly from particulate emissions; reduce greenhouse gases; and bring the New York-northern New Jersey-Long Island Attainment Area into compliance with ozone and particulate standards.

The port is taking a variety of steps to achieve those goals: installing new equipment at terminals, power supply sources for shore power and “cold ironing” when ships are in port, and installing wind turbines at its Port Jersey property.

As part of its clean air program, the port in March rolled out details of a program to reduce pollution from trucks that dray containers to and from the port's terminals. Pre-1994 model trucks will no longer be able to call port authority marine terminals as of Jan. 1, 2011, and trucks not equipped with engines that meet or exceed 2007 federal emissions standards will be banned in 2017.

For drivers who regularly serve the port, the agency is providing grants to cover up to a quarter of the cost of replacement trucks and offering low-cost loans. The port said the \$28 million it has for the program would assist owners of up to 636 vehicles.

While some drivers have expressed unhappiness about size or details of the rebate plans, it won plaudits from businesses that were happy it did not include a concession provision similar to that included in a clean air program the Port of Los Angeles rolled out in late 2008.

“While the stakeholder participants often did not totally agree on the program

specifics, all were given the opportunity to express their views and in the end consensus was reached to move ahead with a plan to reduce emissions through a subsidized program aimed at modernizing the port's truck drayage fleet,” said Curtis Whalen, executive director of the Intermodal Motor Carriers Conference of the American Trucking Associations.

Some environmental groups and the Teamsters union want further changes.

“It will take far greater strides to achieve and sustain clean air,” said Amy Goldsmith chair of the Coalition for Healthy Ports, adding it “places a severe economic burden on port truck drivers.”

Further regulation of port trucking could be forthcoming. The port authority—along with the mayors of New York and New Jersey—are among the supporters of a change in federal law that would give local governments more power to regulate port drayage, a change hotly opposed by the ATA. Many shippers believe it could lead to unionization of the port drivers and send costs soaring.

But Larrabee said the port's clean air strategy can also be a competitive advantage because there are many shippers searching for more environmentally friendly methods of transport. ■

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