



Maryland Department of Transportation
The Secretary's Office

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

Beverley K. Swaim-Staley
Secretary

Darrell B. Mobley
Deputy Secretary

January 9, 2012

The Honorable Thomas V. "Mike" Miller, Jr.
President, Maryland Senate
H-107 State House
Annapolis MD 21401-1991

The Honorable Michael E. Busch
Speaker, Maryland House of Delegates
H-101 State House
Annapolis MD 21401-1991

Dear President Miller and Speaker Busch:

Attached is a report concerning the Maryland Port Commission's activities during FY2011 was prepared by the Maryland Port Administration in response to Transportation Article, §6-201.2 (c), which requires:

"(c) (1) Subject to § 2-1246 of the State Government Article, the Commission shall report by January 15 of each year to the General Assembly on the activities of the Port Commission during the previous year.

(2) The report shall include a review of the port's competitive position during the previous year and any recommendations of the Commission for future changes in legislation, capital funding, or operational flexibility for consideration by the General Assembly.

(3) The report shall also include any substantive changes in its regulations for procurement and personnel."

If you have additional questions or concerns, please do not hesitate to contact Mr. James J. White, Executive Director for the Maryland Port Administration at 410-385-4400. Of course, you should always feel free to contact me directly.

Sincerely,

Beverley K. Swaim-Staley
Secretary

Attachment

cc: Members of the Legislative Policy Committee
Mr. James J. White, Executive Director for the Maryland Port Administration

A Report to the Maryland General Assembly
Senate Budget and Taxation Committee
and
House Appropriations Committee

Maryland Port Commission Annual Report
(Transportation Article §6-201.2 (c))

January 2012

The Maryland Department of Transportation

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Maryland Port Commission (MPC)

Beverley K. Swaim-Staley
Maryland Department of Transportation Secretary
and
Maryland Port Commission Chair

William B. Dockser

Donald C. Fry

Alvin J. Nichols

Peta N. Richkus

Theodore G. Venetoulis

Charles H. White, Jr.

Executive Summary

The Port of Baltimore's (POB) public and private terminals are showing signs of resurgence from the 2009 economic downturn. In spite of challenges of the recent Recession, the Maryland Port Administration (MPA) realized overall positive trends in FY2011. MPA's FY2011 net operating income of \$9.4 million represents the best income performance in recent history and an increase of \$4.2 million of income over FY 2010.

International cargo shipment, which was down to record lows in 2009, rebounded at the public and private terminals of the POB handling 32.8 million tons of foreign cargo, a 47% increase from 2010. Ship calls increased 13%, and the total dollar value of the Port's foreign commerce was \$41.5 billion, placing Baltimore as 11th in the nation, up from 12th last year.

The Public/Private Partnership between MPA and Ports America Chesapeake, Inc. (PAC) at Seagirt Marine Terminal is already a success with the on-schedule construction of the 50-foot deep berth ahead of the 2014 Panama Canal expansion. In 2011, Seagirt received the MSC Bruxelles and the MSC Sindy, each with 9,200 twenty-foot equivalent units (TEU) capacity making them two of the largest container ships operating on the East Coast.

The new dredged material placement facility at Masonville began receiving material during FY2011. The approach channels to the Cruise Maryland terminal at South Locust Point were dredged to ensure safe navigation for this highly visible Port activity.

The MPA's Environmental Management Program (EMS) received ISO 14001:2004 certification in June 2011, demonstrating the Port's commitment to environmental stewardship. The MPA also completed an energy audit and identified an action plan to reduce greenhouse gas emissions by more than 9.2 million pounds and reduce electricity usage by 6.7 million kilowatts each year.

The Port's cruise business continues to grow. At 112 voyages, the number of cruises and port-calls in 2011 broke the record set in 2010. Carnival Cruise Lines has signed a new contract with the MPA to cruise from Baltimore for at least the next 5 years.

The MPA's public outreach and advertising programs received several notable awards for its successful programs to inform the public and the private sector about the significance of the Port of Baltimore. The MPA also continued outreach to the Port communities and neighbors through regular coordination meetings with maritime and community groups from throughout the Port.

Of ongoing concern is the need for adequate capital funding for needed harbor development and landside terminal preservation. Federal and Army Corps of Engineers support for MPA's crucial ongoing dredging programs is threatened, and the harsh marine environment is a very expensive arena in which to operate.

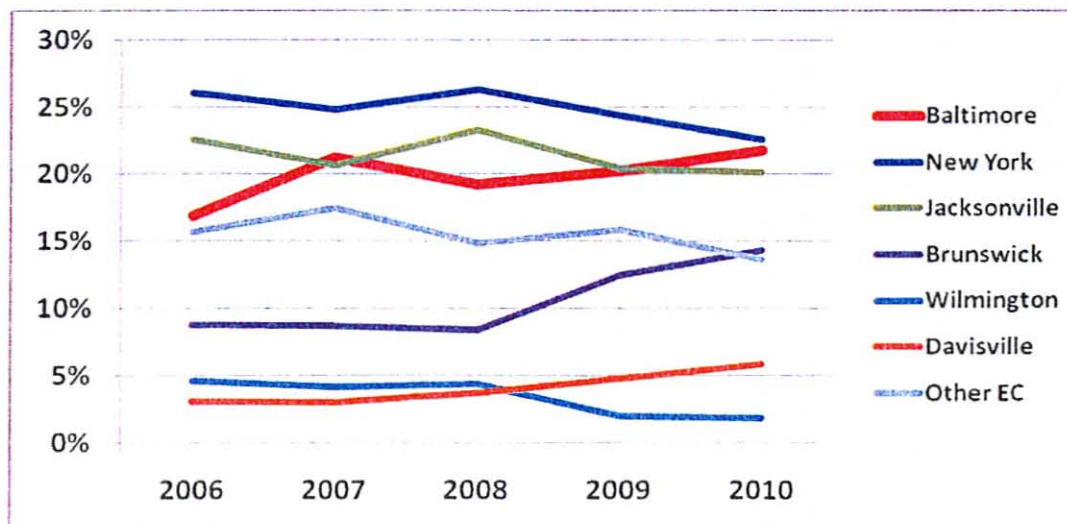
Maryland Port Commission Annual Report, FY2011 Transportation Article, §6-201.2 (c)

This report on the Maryland Port Commission's activities during FY2011 was prepared by the Maryland Port Administration in response to Transportation Article, §6-201.2 (c), which directs:

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MPA FY2011 Accomplishments

- The MPA reported that the Port of Baltimore bounced back from a down year in 2009 caused by the economic downturn with a strong performance in calendar year 2010. The Port's public and private terminals handled nearly 33 million tons of cargo in 2010, a 47 percent jump from 2009. The dollar value of cargo in 2010 was \$41.5 billion, a 37 percent increase.
- Ford began shipping 17,000 of its Fiesta vehicles through the Port of Baltimore. Baltimore surpassed New York to handle more auto tonnage than any other US port during the first six months of 2011. About 1,150 direct jobs are generated by the Port's auto business.



Percentage of auto and truck market share among East Coast ports.

- The MPA and Panama Canal Authority renewed their Memorandum of Understanding Agreement for five additional years. The goal of the Agreement is to generate new business

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opportunities through the Panama Canal between Asia and the Port of Baltimore and to facilitate information sharing and exchange best practices.

- For a three month period (June, July, and August 2010), the Port's public terminals handled more containers than during any other month in the Port's history.
- The MPA won awards for its cargo and cruise websites, and for its *Port of Baltimore* magazine in the 2011 American Association of Port Authorities Communications Awards.
- The Port of Baltimore, in partnership with the ports of New Bedford, MA and Port Canaveral, FL, was selected for further study by the U.S. Maritime Administration for the America's Marine Highway Program. The goals of the program are to reduce air emissions by identifying routes where water transportation can relieve landside highway corridors from truck traffic congestion. The partnership would investigate the possibility of creating a marine highway that would serve as an alternative for transporting freight along I-95.
- In 2010, for the third year in a row, the MPA's marine terminals received a U.S. Coast Guard security inspection which resulted in "superlative results" as described by the Captain of the Port- Sector Baltimore.
- The MPA received \$2.1 million in federal Port Security Grant funding for FY2009 and FY2010.
- The MPA won four MarCom (Association of Marketing and Communications Professionals) awards in a national competition that included private sector businesses, ad agencies and public relations firms.
- The MPA announced that a record 210,549 people sailed on 111 cruises from the Port of Baltimore in FY2011 exceeding FY2009's record of 167,235 passengers on 81 sailings.
- The Masonville environmental restoration project was recognized with an Environmental Excellence award by the National Association of Environmental Professionals; the 2010 Environmental Mitigation award by the American Association of Port Authorities; and a Special Recognition Award by the U.S. Coastal America Partnership. The awards recognized an effort that included cleaning up 61,000 tons of debris and transforming one of Baltimore Harbor's most contaminated sites into an area that includes or will soon include an environmental education center, park and wildlife area, hiker-biker trails, and ramp for kayaks and canoes.

Port of Baltimore Economic Impacts

The Port is an economic engine for the greater Baltimore area, the State of Maryland, and the Mid-Atlantic region as a whole. It is a major contributor to the economy by providing employment and income to individuals. Additionally, it provides Maryland's shippers and importers with a means of competitively transporting their goods to the global marketplace in an efficient and timely fashion. The Maryland General Assembly created the Maryland Port Authority in 1956 (which later became the Maryland Port Administration) and charged the agency with the mission to stimulate the flow of waterborne commerce through the State of Maryland in a manner that provides economic benefit to the citizens of the State.

The waterfront factories and industries in Baltimore, and the funneling of international and domestic waterborne trade through the POB to/from Maryland, the Mid-Atlantic States, and the mid-West states, generates a substantial amount of economic impact for the State¹:

- Direct Jobs in Maryland, (dependent on Port activity) 16,700
- Induced and Indirect Jobs in Maryland, (dependent on Port activity)34,000
- Personal Wage and Salary Income \$3.7 billion
- Business Revenues \$1.9 billion
- Local Purchases by Businesses Dependent on Port Activity \$1.3 billion
- State and Local Taxes \$392 million
- Related Jobs², (linked to, but not exclusively dependent on the POB)68,300



¹ "The Economic Impacts of the Port of Baltimore," January 2008, prepared by Martin Associates, and "The Economic Impacts of the 2009 Cruise Season at the Port of Baltimore," March 2010, prepared by Martin Associates.

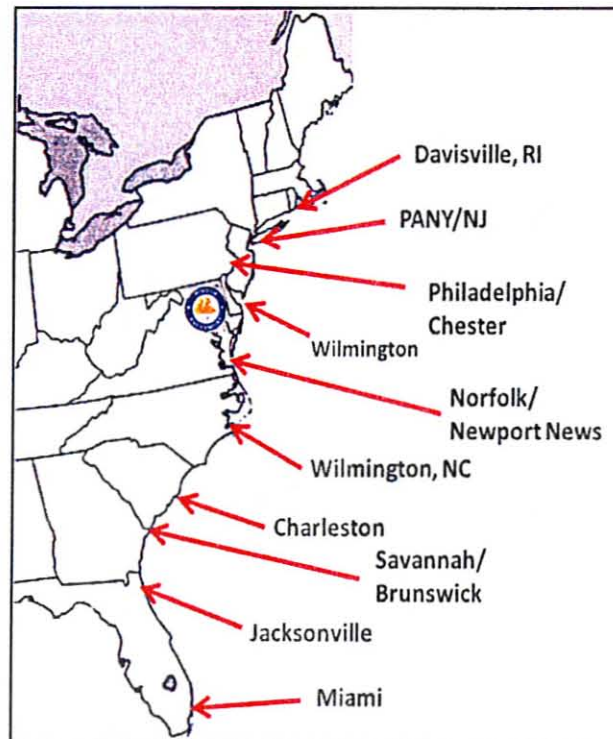
² Related jobs are those jobs with companies importing and exporting cargo through Maryland's Port of Baltimore, that have the option of shipping their products or supplies (for example, containerized items or steel products for construction) through a number of other ports. These companies benefit from having a healthy port nearby in Baltimore to assist their logistics. If the Port of Baltimore were not available to them, these employers might suffer an economic penalty, but would likely survive by shipping through another port.

Port of Baltimore Competitive Position

The Port of Baltimore consists of both the MPA's six cargo terminals and 28 private cargo terminals, plus additional marine facilities, such as shipyards, lay vessel berths, tug/lightering operations, cruise, cable vessels, etc. Together, the Port's public and private marine terminals handled 32.8 million tons of foreign cargo in calendar year 2010, a strong increase of 47%. Bulk commodities came back in 2010, with coal, salt and iron ore doubling their volumes. There were 1,940 ship calls at the Port in 2010, which was up 13% over the prior year.

Among all U.S. Port Customs Districts, Baltimore ranked 13th in the nation for total foreign cargo; this was up from 15th in 2009. The total dollar value of the Port's foreign commerce in 2010 was \$41.5 billion, which placed Baltimore 11th in the nation, up from 12th last year. For non-containerized cargoes, the Port ranked first in the nation for imported roll-on/roll-off equipment, iron ore, salt, forest products, sugar and gypsum. Baltimore is 2nd in the nation for importing aluminum and exporting coal and autos.

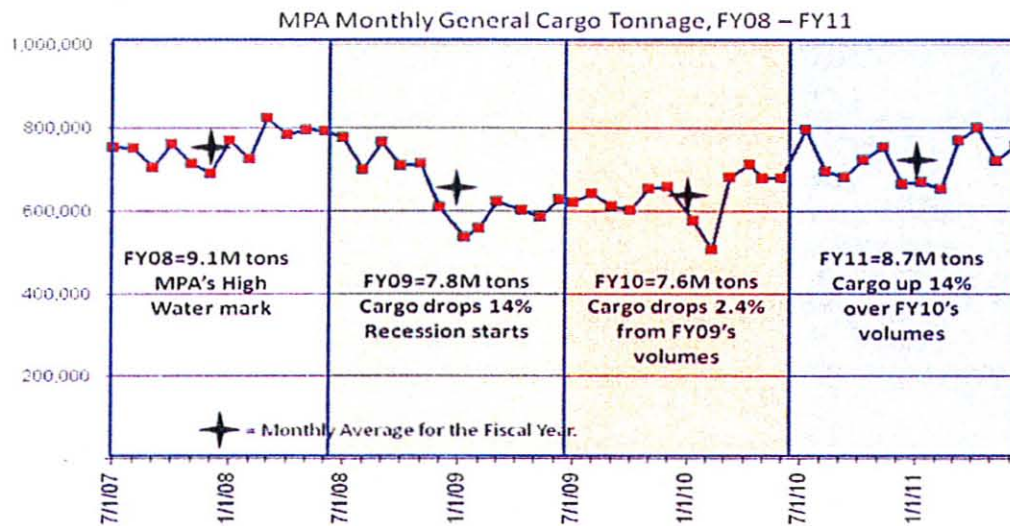
The Cruise Maryland terminal continues to support an increasing cruise business in spite of the recession. The number of cruises increased fourfold between 2008 and 2011. In 2010 POB ranked 5th on the U.S. East Coast and 12th in the nation for number of cruise passengers. This is up from 6th and 14th respectively in 2009.



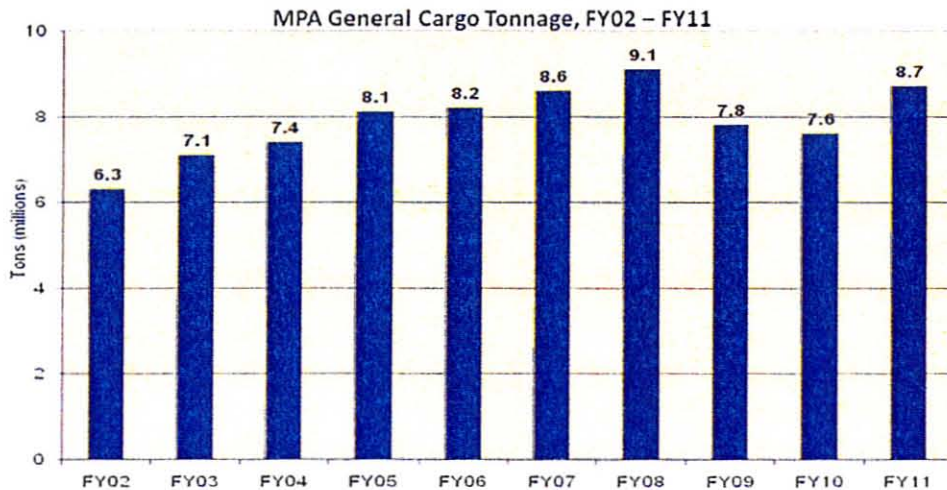
Major East Coast Ports

MPA FY2011 Cargo Activities

MPA’s general cargo tonnage peaked at slightly over nine million tons during FY2008, immediately before the current economic slump. MPA cargo volumes were on a slight downward trend in the autumn of 2008, but fell drastically in December 2008 and January 2009 at the start of the Recession. Similar to the national economy, MPA’s tonnage has been on a faltering, but slightly upward trend since January 2009, as shown below.



General cargo tonnage at MPA marine terminals increased 14% in FY2011 compared to the prior year, for a total to 8,689,000 tons. All commodities showed increases. Containers increased a half million tons for 9.4%, while Ro-Ro increased nearly a quarter million tons or 43%. Autos were up 16% and imported Forest Products were up 12%.

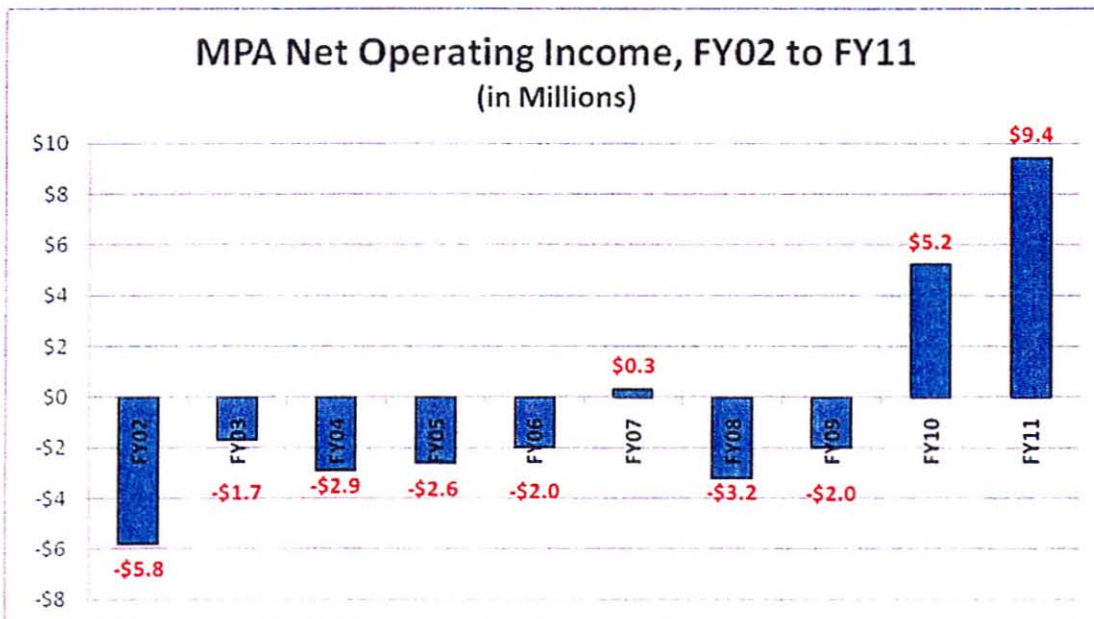


MPA Operating Results for FY2011

Total operating revenues for FY2011 were \$49.1 million; this was \$3.1 million more than the revenue estimates for FY2011, and was \$20.2 million (29.2%) less than the previous fiscal year’s revenues. Although revenues decreased, the MPA also experienced a corresponding decrease in operating expenditures to achieve a net operating income of \$9.4 million for FY2011. Actual operating expenditures for FY2011 were \$39.7 million which was \$6.4 million less than budgeted projections and \$24.4 million (38.1%) less than the previous fiscal year’s expenditures. These corresponding reductions from the previous fiscal year were partially attributable to operating economies realized from the Seagirt Marine Terminal Public-Private Partnership (P3) initiative finalized in mid-fiscal year 2010 and in part to the continued sluggishness in the economy.

Throughout the fiscal year the MPA successfully controlled operating expenditures when revenues decreased as a result of the P3 initiative. Therefore, almost all categories of expenditures experienced a decrease as a result of the P3 and, again to some extent, with the continued sluggishness in the economy. The only categories of expenditures that increased notably for FY2011 over budget were:

- World Trade Center (WTC) maintenance contract expenditures increased by \$126,000 which was primarily attributable to budgeted funding that was less than anticipated building maintenance costs; and
- Security services expenditures increased by \$199,000 primarily due to a rate increase and increased sailings at the Cruise Terminal.



Environmental Initiatives and Compliance Activities

- The MPA's Environmental Management System (EMS) received ISO 14001:2004 certification on June 15, 2011. The ISO certification demonstrates MPA's commitment to sound environmental performance by controlling the impacts of its activities on the environment. The MPA was successful in integrating its environmental goals and objectives into its business development goals. Due to the international recognition of ISO 14001:2004 certification, MPA's customers view the certification as a way to improve the environment and as a competitive advantage.
- Using a \$3.5 million EPA grant for air emission reductions, the MPA, in partnership with the Maryland Environmental Service and the Environmental Finance Center, University of Maryland, has installed clean diesel technology on 92 pieces of equipment. These units will result in an annual reduction of fuel consumption by 12%, carbon dioxide output by 12%, nitric oxides (NOX) by 31% and particulate matter by 50%.
- In March 2011, the MPA completed its energy audit and technical feasibility study for implementation of an energy performance contract which will provide significant energy infrastructure upgrades, as well as reduction in energy consumption and cost. Several energy conservation measures were identified and will be installed; a few of the major projects include solar panels at the cruise terminal and Shed 10 at South Locust Point Marine Terminal, lighting upgrades at World Trade Center (WTC) and terminals, boiler and chiller replacements for WTC and terminals. The goal is to complete the installation of these projects by 2013. Overall, these projects will result in a reduction of approximately 6,754,359 kWh of electricity and 9,222,921 pounds of greenhouse gasses annually over the life of the contract (contract term is a total of 15 years; the first 1.5 years for implementation, and the next 13.5 years of energy savings.).
- The Baltimore Port Alliance, comprised of MPA and members of the Port of Baltimore's private sector port community, partnered with EPA Region 3, Maryland Department of the Environment, and USCG to coordinate environmental compliance workshops. Workshop topics included Vessel General Discharge Permit Requirements, the Resource Conservation and Recovery Act (RCRA) focusing on Hazardous Waste, and Underground Storage Tanks compliance and enforcement.
- Improving water quality was and remains one of MPA's primary objectives and targets. Spill mitigation and elimination are integral to improved water quality as are the other best management practices (BMPs) that were installed in FY2011. The BMPs included focus on maintenance and upgrading of several storm water management ponds at the Dundalk Marine Terminal. Pilot programs to evaluate various innovative technologies were also implemented including installation of collection screens at several locations and storm drain filters that collect sediment, trash, and oil. Additional technologies and BMPs will be studied in FY2012.
- At the MPA's vehicle and equipment fueling facility on Dundalk Marine Terminal, all diesel and gasoline underground storage tanks were removed and replaced with above ground storage tanks and piping. Currently no product lines or components are underground, allowing for visual inspections of the entire system. The removal of the underground storage tanks eliminates the possibility of a petroleum leak into the soil and groundwater.

Dredged Material Management Program (DMMP)

The POB will exhaust much of its currently available dredged material placement capacity by the end of this decade. MPA is very concerned because there is not adequate capacity to perform maintenance dredging or new-work dredging projects for Bay channels, or new work dredging projects for Harbor channels without overloading all available placement sites. New placement capacity options are needed to ensure continued maintenance dredging of channels at adequate levels, and the competitive posture of the Port.

Ships calling at the Port continue to grow larger, potentially reaching the bottoms of the navigation channels if loaded to full capacity. This trend will take a quantum leap after 2014, when ships up to 1200' in length, 160' in width and 50' in draft will be able to transit the expanded Panama Canal. This will bring some of the largest container ships in the world to the U.S. East Coast and potentially to the Port of Baltimore. This underscores the need to maintain Baltimore's channels at authorized depths and widths at all times, and to modify channels as needed to meet new maritime industry fleet demands.

About four to five million cubic yards (mcy) of annual sediment buildup in Maryland's channels must be removed to maintain authorized channel dimensions. Maryland's law on placement of dredged material favors beneficial uses such as restoration of eroding islands, creation of wetlands and innovative reuse (which are the more expensive options), and phased out open water placement (the least expensive option) at the end of 2010. The State's Dredged Material Management Program (DMMP) produces a plan to develop, maintain, and operate options to place or use dredged sediment for at least 20 years of normal maintenance dredging, plus additional new work dredging. As a matter of policy, the plan emphasizes citizen and other stakeholder involvement.

Hart-Miller Island Dredged Material Containment Facility (DMCF) closed to placement of dredged material in 2009, and final planning and development of wildlife habitat began in the North Cell. The Pooles Island Open Water Placement Site closed in 2010. A new placement site for Baltimore Harbor dredged material was constructed and began operation in 2010 at Masonville in the Patapsco River's Middle Branch; the project includes site cleanup and community enhancements, ongoing at this time. The Masonville Cove Environmental Education Center is now in use and considered a great success.

In FY2011, the MPA was responsible for operation of the following dredged material placement sites: (1) Masonville DMCF; (2) Poplar Island Environmental Restoration Project; and (3) Cox Creek DMCF.

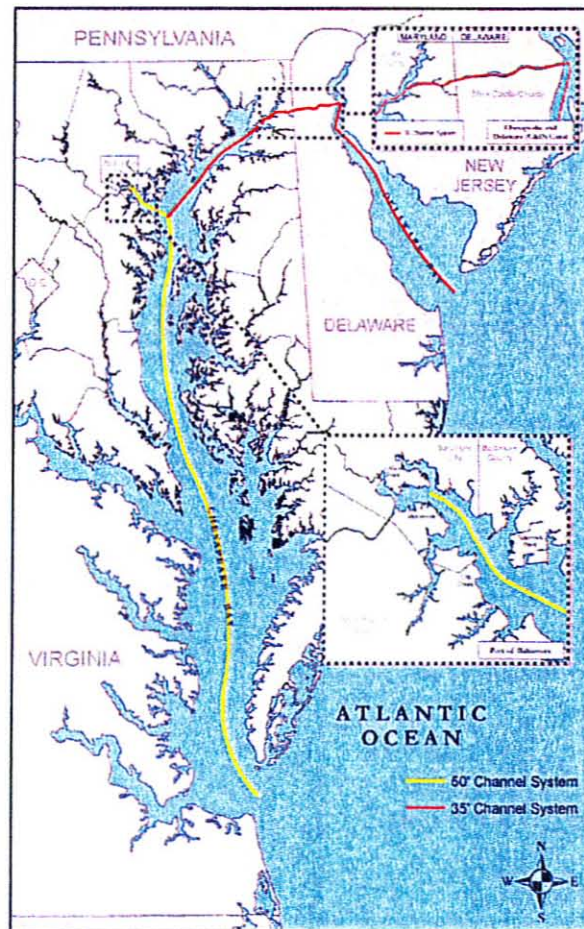
The Corps completed dredging much of a backlog of 4.1 mcy from the C&D Canal approach channel in 2010, but annual Corps maintenance budgets are inadequate to prevent future maintenance backlogs at unacceptable levels from reoccurring. The Corps, with MPA collaboration, also initiated a groundwater study as part of efforts to reactivate the Corps-owned site at Pearce Creek, near the mouth of the Elk River. Pearce Creek would replace the Pooles Island site for material dredged from the approach channel. Reactivation of the Pearce Creek site

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is key to providing sufficient placement capacity for Baltimore's Bay channels to be maintained to full authorized depths and widths, if adequate funding is available for the dredging to occur.

Ongoing reduction in Corps of Engineers funding and significantly increased dredging and placement costs over the last five years have resulted in reduced channel maintenance dredging on a national basis. Reduced dredging leads to reduced channel safety and reliability at a time when significant investments are being made in the Port to be ready for the Panama Canal's expansion (2014). This is a significant and current issue; maritime businesses expect state and federal governments to provide consistent channel reliability if they are to make private investments in the Port. If there is a lack of Corps funding, then the State may need to step into the funding gap to ensure that adequate maintenance dredging occurs to provide channel safety and reliability.

The MPA, Maryland Department of Transportation and the Maryland Port Commission are assessing national developments impacting the State's Dredged Material Management Program, and working toward development of a set of strategies to be implemented to best position the Port and the State.



Seaport Security & Related Projects

The MPA successfully secured the State's public facilities by meeting or exceeding all federal goals and requirements. The Facility Vulnerability Assessment and revision of the Facility Security Plan (FSP) were completed and approved by the U.S. Coast Guard Captain-of-the-Port, Sector Baltimore. The Assessment and revision to the Security Plan is required every five years by the Maritime Transportation Security Act. Advancements in MPA information sharing, technology, public-private partnerships, best practices, planning, and many other aspects were incorporated into the new FSP. This new plan is designed to increase security and safety at the MPA facilities, and it is designed to adapt and grow with the Port for maximum effectiveness.

The MPA's access control measures are continuing to build upon recent progress to make its terminals some of the most secure public terminals in the country. Below are security projects that are underway or that have been completed during the reporting period.

- **Round 7 Grant Award** - The MPA was successful in securing \$1.8 M in grant funding for access control projects at Dundalk, South Locust Point and the Cruise Maryland terminals. As a result of modifications made to the Facility Security Plan and Transportation Worker Identification Credential (TWIC) requirements, a grant modification was approved. These funds will be used for the construction of a Visitor Access Control Center and developing a CCTV Monitoring Center on Dundalk. The Visitor Center and the modifications to the Dunmar Building for the CCTV Monitoring Center are scheduled to be completed by May 2012.
- **Round 7 Supplemental and Round 8 Port Security Grant Award** - The Department of Homeland Security (DHS) announced the release of additional funding for its Port Security Grants in 2009. The MPA was successful and awarded \$4.2M in new Port Security Grant funding. As a reflection of the collaborative effort occurring within the Port of Baltimore for maritime security, some of this grant funding was awarded to a public/private consortium of Port interests. Funds have been designated for TWIC card readers for area terminal operators. These readers will provide a secure means to verify identification and improve efficiency.

Additional funds are designated for the expansion of MPA's CCTV infrastructure to provide video-sharing across all modes of transportation (an MDOT initiative) and all agencies involved in securing these modes. Specific to the MPA, funds have been awarded to expand CCTV capabilities through updated technology, wireless networks, and upgraded radio systems to enable interoperability among law enforcement agencies tasked to secure the Port of Baltimore and the emergency responders who support those efforts. The funds have been released in FY2011 and the project is currently in design.

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- **ARRA/Port Security Grant Funds** - The MPA was successful and awarded \$1.3 M in American Recovery and Reinvestment Act Port Security Grants. Through a phased approach to new security initiatives, the MPA identified needed infrastructure for improvements. Funds have been designated for: replacing portable guard booths with permanent facilities; vehicle screening shelter to include inspection of tractor-trailers at three locations; equipment for an Emergency Operations Center on Dundalk Marine Terminal; and the expansion of the CCTV system. All projects are moving forward with construction and installation to be completed during calendar year 2012.
- **Round 9 Port Security Grant Award** – The MPA was awarded \$2.1 million in Port Security Grant funding in FY2011. From this grant, \$91,000 was released for procurement of thermal imaging devices to inspect railcars as they enter and exit the Port. The balance of this award is expected to be released in FY2012.
- **Round 10 Port Security Grant Award** – The MPA was successful in receiving \$110,000 in new Port Security Grant funding. This funding will be used to improve security capabilities at MPA Terminals.

This topic is the subject of a separate Joint Chairmen’s Report titled “**Report on Funding to Address Vulnerability Concerns**”, which MDOT submitted to the Maryland General Assembly on December 1, 2011.



Members of the US Coast Guard and Custom and Border Protection inspect a container.

Cruise Maryland

The Port of Baltimore's 2011 cruise season has seen a number of records broken, for starters the number of cruise offered. The Cruise season is typically reported in calendar year instead of fiscal year and in the last calendar year the Port broke its passenger numbers and number of cruises offered with 210,549 passengers sailing on 90 cruises. This year the port will have 112 cruises and port-calls and will certainly break the 2010 passenger record. Carnival Cruise Lines and Royal Caribbean are offering five, seven, nine and 12-night cruises year round cruising out of Baltimore. One record that wasn't broken was snow fall. Mother Nature was much more cooperative in the 2011 winter season with no major snow event, unlike the previous year which had three major snow storms.

2011 also saw a huge vote of confidence when Carnival Cruise Lines signed a new contract with the Maryland Port Administration for a five-year term. The new agreement went into effect shortly after the close of FY2011.

In April, the port took possession of a new fully enclosed temperature controlled passenger boarding bridge. This allows for a better overall passenger experience. This new boarding bridge will now provide uninterrupted cover from the time passengers enter the cruise terminal until they board the vessel. The \$3 M boarding bridge was manufactured by TEAM of Barcelona Spain and is ADA compliant and can withstand wind gusts of 90 miles an hour.

One of the reasons for MPA's success is the Cruise Maryland Terminal is that the terminal's sole use is for cruise ships and it is located directly off of I-95. The terminal provides marquee visibility for cruise ships while in port, with over 120,000 vehicles passing by on I-95 daily. This convenient location makes Baltimore the ideal "drive-to" port for the Mid-Atlantic and Midwest markets.

The Port is located in the Baltimore-Washington-Northern Virginia Combined Statistical Area serving the nation's fourth most populous consumer market. In 2009, the total number of home-port cruises from the Port was 81. This number has increased to 90 cruises in 2010 and the projection for 2011 is a record 105 cruises.



Rail Issues

Railroads are an important mode of transportation carrying cargo into and out of the Port of Baltimore. Access limitations imposed by the 110 year old Howard Street Tunnel are a competitive disadvantage for the Port of Baltimore.

The Port of Baltimore is served by two "Class I" railroads – CSX and Norfolk Southern, along with two short lines – Canton and Patapsco Back River Railroads. Most of the original piers within the Port of Baltimore were built by the predecessors of today's railroads, such as Penn Central RR, Western Maryland RR, Canton RR and the Baltimore & Ohio RR.

Service to and from the Port of Baltimore is provided by CSX and Norfolk Southern to states east of the Mississippi river with connections in the Midwest to the western railroads (BNSF, UP & KCS) and Canadian railroads (CN and CP). This enables the Port of Baltimore to reach customers in the southwest, far western states and Canada. Total rail volumes at MPA facilities were up 27% for FY2011 compared to FY2010.

Most of the MPA's rail activity is on the Dundalk Marine Terminal (DMT), a 570 acre terminal directly serviced by the Norfolk Southern. CSX is able to access DMT via a switching agreement with Norfolk Southern. A wide range of products is handled at DMT which includes: containers, forest products, automobiles, farm and construction equipment, breakbulk, and over-dimensional project cargo (such as transformers, generators, etc). For FY2011, DMT handled 11,868 railcars - an increase of 30% over FY2010. Flatcars carrying farm and construction equipment doubled in volume to 3,331 railcars in FY2011 while multi-level cars carrying automobiles were up 40% in that same period.

CSX provides direct rail service to North and South Locust Point Terminals, Fairfield and Masonville Terminal and Hawkins Point Marine Terminal. CSX is the only rail provider to these terminals. Most of the rail business into the Locust Point Marine Terminals is shipments of finished paper rolls. Hawkins Point Marine terminal rail volumes are bulkcar shipments (fertilizer, aluminum ore and cement) that increased 22% in FY2011.

In addition, CSX is the operator at the Intermodal Container Transfer Facility (ICTF) adjacent to the Seagirt Marine Terminal. Of particular note are the height restrictions on CSX's Howard Street Tunnel, which limits the Port's ability to attract discretionary cargo. Canton Railroad has the right-of-way into the ICTF and should CSX vacate this facility, Canton RR could switch either CSX or Norfolk Southern into the ICTF.

Status of Operations at Seagirt Marine Terminal

The successful financing of the 50-year Seagirt Concession and Lease Agreement was accomplished in spite of an unfavorable global economic climate and other failed P3 packages. The thoroughness of the MPA's approach and the soundness of its planning enabled the deal to proceed. As required in the 2009 Joint Chairmen's Report, a separate report was submitted to the Maryland General Assembly in November 2009.

The responsibility for the operation of the Seagirt Marine Terminal, including gate, terminal and vessel activity was transferred successfully to Ports America Chesapeake (PAC) on January 12, 2010. During the past twenty months under PAC supervision the facility has operated without interruption and the transition has been transparent to the port community. The key performance indicators including vessel productivity and truck turn-times have remained constant during a time when facility volumes have increased significantly as the economy starts to rebound. Container moves on/off vessels increased 7% and truck gate transactions increased 9% for the first seven months of 2011 compared to the previous year.

One of the primary goals of the Seagirt P3 effort was to ensure the construction of a new 50-foot deep container berth prior to the completion of the Panama Canal expansion in June of 2014. PAC has accelerated the construction timeline of this new berth and the procurement of four new Super Post Panamax container cranes. Berth construction is well underway and the project should be completed in 2012, which is well before the Agreement terms of 2014. The early completion of this new berth delivers a strong message to the shipping industry that the POB is well positioned to handle container growth to the United States East Coast ports.



Construction progresses at Seagirt Marine Terminal Berth IV.

MPA Challenges: FY2012 and Beyond

There are a variety of concerns on the horizon, which the MPA will monitor closely and address as necessary:

- **Panama Canal** - Shifts in trade patterns to the East Coast created by improvements to the Panama Canal and new cargo opportunities, particularly for containers, will pose opportunities for handling cargo and maintaining market share in the future.
- **Cost of dredging and dredged material placement solutions** - Constraints on dredge material placement solutions, the actual cost of dredging and constraints on federal funding combine to make this an issue of concern. Also, there is not adequate capacity going forward to perform both maintenance dredging and new work dredging projects without overloading the Harbor or Bay dredged material placement sites. Managing this, as well as maintaining a cost-effective, environmentally sensitive, and community-supported dredging program will be an ongoing and formidable challenge.
- **Growing cargo volumes with an aging physical plant** – System preservation efforts need to continue to adequately maintain waterfront facilities in a harsh marine environment. Additional capital funds will be needed for landside projects at MPA terminals.
- **Competition** - Other ports are aggressive competitors for MPA's cargo and are investing in new facilities and deeper channels to capture business and jobs from Maryland.
- **Chrome ore processing residue (COPR) remediation is a legacy issue** - Remediation of COPR on Dundalk Marine Terminal could significantly impact terminal operations, the capital budget and adjacent communities.
- **Continuing "Green Port" initiatives** – These initiatives will be necessary to achieve both a regulatory and social license to operate but may require additional resources.
- **Public-Private Partnerships may be increasingly necessary to grow the Port** - Building on the success of the Seagirt P3 may be one way to achieve important investments in the Port.
- **Sluggish international trade** - The weakness in the global economy is likely to continue. Waterborne cargo volumes at MPA terminals, which have improved over the last two years but are still below the FY08 record, will recover in concert with the national economy. The Port will have to compete even harder to attract cargo.
- **The State's revenues will remain under pressure as a result of economic conditions.** Monitoring mission effectiveness and employee morale will be critical in light of reduced resources and personnel.

Appendix

Contracts and Leases Approved by the Maryland Port Commission for FY2011 (July 1, 2010 – June 30, 2011) are shown below:

July 2010

There were no contracts requiring Maryland Port Commission approval.

August 2010

1. Contract #510905, New Plaza and Arcade Lighting at the World Trade Center in Baltimore, Bob Andrews Construction, Inc., Kingsville, Maryland; \$354,800; Term – 120 Work Days from Notice to Proceed.
2. Contract #270027-SA, Modification No. 5, Fire Protection System Inspection, Maintenance and Repairs, Advanced Fire Protection Systems, LLC, Glen Burnie, MD; \$200,000 NTE; Term – Increases the allowance for extra work and repairs for the next two years of the contract (Total contract value including Modification No. 5 - \$2,332,895).

September 2010

There were no contracts requiring Maryland Port Commission approval.

October 2010

There were no contracts requiring Maryland Port Commission approval.

November 2010

1. Contract #210106-S, Value Added Network Support, GXS, Inc., Gaithersburg, Maryland; \$216,000 NTE; Term – Three (3) Years (December 1, 2010 through November 30, 2013) with Two (2) One-Year Renewal Options (Subject to CPI Increases NTE 4%).

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December 2010

There were no contracts requiring Maryland Port Commission approval.

January 2011

There were no contracts requiring Maryland Port Commission approval.

February 2011

1. Contract #290023-S, Modification No. 3, Renewal Option No.1, Janitorial Services at South Locust Point Cruise Terminal, Ameri-Klean Services Inc., Baltimore, Maryland; \$84,791; Term – One (1) Year (June 17, 2011 through June 16, 2012).
2. Contract #290029-M, Modification No. 1, Renewal Option No. 1, Rail Maintenance Services, all terminals, Amtrac Railroad Contractors of Maryland, Inc., Hagerstown, Maryland; \$722,300; Term – Two (2) Year (September 1, 2011 through August 31, 2013).
3. Contract #509201, High Mast Lighting Electrical Improvements & Cruise Terminal Secondary 15kV Electrical Feeder, South Locust Point Marine Terminal, Enterprise Electric Company, Baltimore, Maryland; \$1,042,002.92; Term – 150 work days from notice to proceed.

March 2011

1. Contract #511918, Roof Replacement and Related Work at the World Trade Center Baltimore, Gordon Contractors, Inc., Capitol Heights, Maryland; \$645,600; Term – One Hundred (100) Work Days from Notice to Proceed.
2. Contract #507031, Modification No. 1, Shed 5A Demo & Areas 600 Paving at Dundalk Marine Terminal, Kinsley Construction, Inc., Timonium, Maryland; \$120,848.56; Revised Term – 185 Work Days.

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April 2011

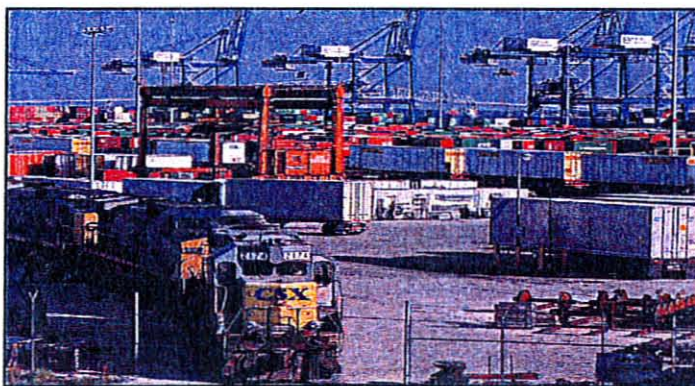
1. Contract #509022, Modification No. 1– Fuel Island, Above Ground Storage Tanks & Storage Sheds at Dundalk Marine Terminal, Octagon Services, Inc. – dba – Tanks Direct, Laurel, Maryland; \$150,000; Revised Term – 245 Work Days.
2. Contract #510015, Wharf Upgrades Berths 7-10 at Dundalk Marine Terminal, Joseph B. Fay Co., Baltimore, Maryland; \$1,610,131; Term – 105 Work Days.
3. Contract #511007, 2nd Floor Renovations Dunmar Building at Dundalk Marine Terminal, Baltimore Contractors, Inc., Baltimore, Maryland; \$1,164,464; Term – 180 Work Days.
4. Contract #509203, Entrance Gate Canopy & Access Control/Gate Pass System at South Locust Point Marine Terminal, Dvorak, LLC, Baltimore, Maryland; \$1,213,377; Term – 120 Work Days.

May 2011

1. Contract #211008-S, Shuttle Bus Service at South Locust Point Marine Terminal, Capital Executive Limousine, Inc., Manassas, Virginia; \$425,000; Term – One (1) Year (July 1, 2011 – June 30, 2012) with Two (2) One-Year Renewal Options.

June 2011

1. Contract #511904, Access Control Center, Duke Property, Dundalk, Maryland, Facchina Construction Co., Inc., La Plata, MD; \$2,324,623; Term – 160 Work Days.
2. Contract #290042-EP-2, Phase II Energy Performance Contract at Various Maryland Port Administration (MPA) Facilities, Pepco Energy Services, Inc., Arlington, Virginia; \$27,551,209; Term – Fifteen (15) Years.



Intermodal Yard at Seagirt Marine Terminal