The Port of Jacksonville continues to diversify its cargo base, but is still intent on capturing container cargo destined for Florida because containers have the largest compound annual growth rate for commodities handled by ports, Chief Executive Officer Brian Taylor said in a recent conference call with American Shipper’s editorial team.

JaxPort, assuming it can get federal permission and funding to deepen the St. Johns River to 47 feet for larger vessels and correct the Mile Point navigational impediment, is “ideally positioned” to steal about 250,000 TEUs of annual cargo from West Coast and South Atlantic ports that enters the state by truck, the former ocean carrier executive said.

The Northeast Florida port conservatively estimates it could achieve that growth by taking a third of the potential discretionary container market available to Florida ports, Taylor said, citing figures in JaxPort’s new strategic master plan conducted by Martin Associates.

According to the report, there are about 1.3 million TEUs of imports consumed in Florida that arrive in non-Florida ports and about 1.8 million TEUs of export loads and empty containers from Florida that exit the nation via non-Florida ports, about a quarter of which (775,000 TEUs) Florida ports could attract with moderate levels of marketing to shippers.

Adding a quarter-million container windfall on top of the 930,000 TEUs already handled by the port, where volumes are growing more than 3 percent per year, would put JaxPort’s throughput at 3 million TEUs in 22 years, Taylor said.

“If the trade is flowing into North Florida, and it’s coming through a non-Florida port, that has to be a key target market for us,” Taylor said.

JaxPort could even boost its share another 250,000 TEUs by converting freight headed to the Atlanta market that normally uses other West and East coast gateways once it develops an efficient intermodal service capability, he added.

Martin Associates relatively calculates that Jacksonville is the cheapest gateway for routing cargo from Hong Kong to Atlanta, and is even $114 cheaper per FEU than moving through Savannah, Ga.

A contractor hired by the Jacksonville Port Authority has begun the design phase of a $30 million intermodal container transfer facility where CSX Transportation will provide on-dock rail service at the Dames Point Marine Terminal. Containers currently have to be shuttled 16 miles by truck to a CSX ramp. The project is scheduled
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to be completed in late 2015. The North Florida regional planning organization also released in February a study outlining how to eliminate 22 rail crossings at roads on the northwest corridor leading in and out of greater Jacksonville. Together the improvements would significantly improve freight-rail efficiency and make it easier to convince shippers to switch ports for discretionary imports and exports.

Attaining the desired box growth depends on dredging the main shipping channel from 40 to 47 feet, Martin Associates and local officials insist. Deeper water is necessary to compete for service from larger containerships as well as heavy-weight exports, and attract large import distribution centers and manufacturing activity near the port. The ports of Miami, Charleston, S.C., and Savannah are already deeper than Jacksonville and are moving ahead with their own projects to deepen further.

The limited depth, along with the tidal restriction at Mile Point and the lack of an on-dock intermodal facility, has limited the amount of cargo moving through MOL’s TraPac container terminal and revenues for the carrier and the port. Korean carrier Hanjin several years ago backed out of plans to develop its own terminal because of concerns over channel depth.

Ports want to be the first inbound and last outbound port of call because that’s where shippers prefer to send cargo to avoid time-consuming intermediate stops along the coast. Vessels also tend to carry the most cargo to and from those ports. Less cargo remains after discharge for in-between stops and less is picked up until the final port, which shippers view as their last chance to make a voyage to overseas destinations. Jacksonville’s draft restrictions mean the average container vessel from Asia, at current sizes calling MOL’s TraPac Terminal, is not being loaded to the fullest extent possible, resulting in an average arrival and departure draft of 34.65 feet and an 80 percent increase in voyage costs per container compared to full-vessel utilization if the channel was 45-feet deep, according to the master plan.

Based on the need for a two-foot keel clearance, vessel operators would still be subject to a 6 percent cost penalty on first in/last out service even at a 45-foot depth.

Large vessels (6,000 to 10,000 TEUs) with drafts in excess of 45 feet are becoming the standard on all-water routes from Asia because their per slot cost is almost a quarter less than that of Panamax-size vessels, but will require a channel depth of 47 feet at a minimum two feet of clearance to accommodate a first-in/last-outbound port of call, the Martin Associates study said.

With only a 45-foot channel and two feet of clearance under the keel, post-Panamax vessels would experience a 20 to 25 percent increase in voyage costs per container for first-in/first-out calls.

Asia services would likely disappear at JaxPort without deepening soon and the port would lose its ability to take intermodal and Florida market shares from other ports, according to Martin Associates.

“So if Savannah goes deeper [seeking approval to go from 42 to 47 feet] and JaxPort doesn’t, there’s no way you can serve that Atlanta market because there’s no way a carrier will deploy a smaller ship to Jacksonville and transfer it to Atlanta because it’s too expensive,” John Martin of Martin Associates elaborated in a phone interview from his vacation home in Beaver Creek, Colo.

The opportunity cost of not reaching 47 feet is about 10,000 direct, induced and indirect jobs by 2025, and about 13,800 jobs by 2035. The region stands to lose $1 billion per year in future personal income, business revenue and local taxes without the potential container growth, according
The Jacksonville harbor deepening was authorized. The Army Corps of Engineers, which in February tentatively indicated the deepening project is environmentally and operationally feasible and makes financial sense for the federal government to pursue, is expected to finish its study by late April, paving the way for congressional approval. The Corps’ latest estimate is that the project will cost $684 million—$601 million for deepening and $83 million for navigational aids and other improvements. The federal government is responsible for $312.7 million of the dredging cost.

The local share is large, since the port authority and state are funding an extra two feet of dredging themselves because the federal government’s benefit-cost analysis only calls for a 45-foot channel, which would restrict sailing draft to between 42 and 43 feet. Local sponsors are also paying for berth improvements and upgraded ship-to-shore cranes.

The Corps simply uses neutral economic models that demonstrate how much a project will reduce transportation costs and benefit shippers and consumers nationwide, whereas Jacksonville officials are additionally motivated by the great local jobs by gaining cargo at the expense of other ports, Jason Harrah, the Corps’ Jacksonville project manager, explained.

The Corps concluded there’s a maximum net annual benefit of $58.7 million above the cost of construction, operation and maintenance of a 45-foot channel, but the payback dips to $56 million at 47 feet, he said.

The Jacksonville harbor deepening was one of five port projects in June 2012 that were put on an accelerated review schedule by President Obama as part of his “We Can’t Wait” initiative to speed up delivery of important infrastructure projects. By putting more people on the project and having agencies conduct concurrent reviews the Corps was able to shave 14 months off the normal timetable for feasibility studies.

Although environmental reviews determined that dredging would have a minimal impact on salinity levels upriver, the Corps has developed a mitigation package that includes the purchase of 638 acres of conservation wetlands that will be deeded to a conservation organization or a national park to keep the land from commercial development, Harrah said.

The agency has also committed to collect data and monitor salinity levels during and after deepening, and if the project is determined to be the cause of higher salinity levels “we’ll consider further mitigation and corrective measures,” he said. Increases in salinity that negatively affect wetlands, aquatic grasses and fish distribution are mostly being caused by drought, sea-level rise and water withdrawal from the St. Johns River.

Normally, projects that do not have a final feasibility study from the Corps’ Chief of Engineers completed by the time of WRDA reauthorization must wait several years to get included in the next spending plan for civil works projects. The House version of the WRDA bill would allow local sponsors that receive final feasibility studies after enactment of the bill to move forward with pre-construction, engineering and design at their own risk and apply for in-kind credit or reimbursement after the project is authorized at a later date.

Taylor said information from Florida’s congressional delegation suggests the House and Senate negotiators do not expect to complete a joint WRDA bill for a final vote until at least the beginning of May, which increases the likelihood the channel to the master plan.

TraPac is the largest privately owned and operated terminal on the East Coast, but since opening in 2009 in the midst of the global recession it has lost money, Dennis Kelly, TraPac’s regional vice president and general manager, told American Shipper.

The terminal, which handled an estimated 200,000 TEUs based on 108,000 lifts in 2013, is operating at less than 20 percent capacity.

He expressed optimism the company could break even within a couple years as the economy improves, but said real gains that would provide a return on investment aren’t expected until deepening is completed later on.

“We’re hoping things improve and as long as they improve I think we’re here for the long term,” Kelly said. “We’ve got a huge investment here. We continue to invest, but the bottom line is if we can’t get the ships in and out of here, eventually we will be put out of business.”

Political disagreements that have held up passage of the Water Resources Develop-
deepening will be included. The House and Senate conference committee appears to have ironed out many differences, but has postponed a final agreement to give the Corps time to complete two pending Chief’s reports, Michael Toohey, president and CEO of the Waterways Council, recently said, without indicating whether JaxPort was one of the projects.

Pre-construction and design would take about 18 months to complete. The Corps has already allotted some money in its 2014 work plan to cover a significant portion of that phase and President Obama’s 2015 budget request seeks additional funds. But Congress would need to separately appropriate funds for the actual digging and disposal work.

If that were to happen, dredging at JaxPort could begin in 2016 and the 13-mile stretch from the sea to the container terminals could be finished by 2020, according to the port director.

Florida and port officials also are eagerly awaiting passage of WRDA to get started on reconfiguring the navigation obstacle at Mile Point. The Corps decades ago built a concrete wall to minimize sand flow upstream during high tide at the intersection of the Intracoastal Waterway that make it difficult for large, heavily-laden container vessels calling at the Dames Point Marine Terminal to go in and out of the river most of the day. The dredge project will open the window for vessels to exit the channel from two four-hour periods a day to about 18 hours daily.

The state of Florida has committed $38 million for the project once it is authorized so the work can be turned over to the Corps. JaxPort officials have previously said they would consider taking responsibility for construction if Congress fails to authorize it soon, but would have to spend extra time to hire an engineering firm and make new plans based on the Corps’ initial assessment. Taylor said it makes sense at this point to wait three more months for the project, which is named in the WRDA bill, to be authorized rather than restarting some of the preliminary steps.

JaxPort should aggressively pursue a long-term concession with private sector entities to finance, develop and operate one or two modern container terminals on Blount Island once Congress authorizes the deepening project, the master plan recommends.

The new P3 alliance planned by the three largest container carriers to combine operations on East-West trade lanes has not included JaxPort in its route network, but Taylor said there is always a chance they could change their mind once Jacksonville has deep water. There are two G6 alliance (Hapag-Lloyd, NYK, OOCL, APL, Hyundai and MOL) services that call JaxPort and one from the CKYH—the Green Alliance (COSCO, ‘K’ Line, Yang Ming, Hanjin and Evergreen) compared to none five years ago, Taylor noted.

“The team has done a really good job to attract a couple alliances to make Jacksonville part of their portfolio and it’s our job now, as we drive to 47 feet, to continue to provide them with the tools that allow them to expand here,” said Taylor, who joined the port in July after long stints at Sea-Land and Horizon Lines.

One factor dampening container growth is Puerto Rico. JaxPort is a major logistics gateway between the mainland and Puerto Rico, with service provided by domestic carriers Sea Star, Trailer Bridge, Crowley Liner Services and Horizon Lines. But the Puerto Rican economy has been in the tank for the past six years due to the recession and a U.S. law that took away some tax privileges for manufacturers, many of which relocated plants to other countries. Puerto Rico now accounts for less than 50 percent of the port’s container traffic, down from 80 percent at its height early last decade.

Taylor said trade volumes with Puerto Rico are stagnant, “so we have to grow in other places.”

The Jacksonville Port Authority has worked hard to reduce its dependence on the Puerto Rican market and the container business overall. Containers represent 60 percent of JaxPort’s business today compared to 80 percent a decade ago.

Other Cargo. The master plan recommends JaxPort pursue several new lines of business, such as machinery and equipment, wood pellets, bulk aggregates and containerized grain.

Wood pellets have become a popular heating fuel in Europe since 2007, and Southeastern forests are leading sources of fiber for wood pellet production in more than a dozen mills, according to Martin Associates. JaxPort should find a private manufacturer to develop a wood pellet facility on port property, it said in the master plan.

Other ports in the Mid-Atlantic and Southeast have increased their exports of wood pellets in recent years.

Imports of bulk aggregates could also be a growth area, because Florida is experiencing a high degree of building construction and roadwork.

The completion of the ICTF will enable
Jacksonville to offer grain transloading from hopper cars arriving from the Midwest to empty containers at the port, the report added.

Breakbulk cargo is becoming increasingly important for JaxPort. A commodity the port is particularly keen to attract is wood pulp, which is part of a broader focus on expanding forestry product imports and exports as global demand rises, officials say.

South America is becoming a major source of wood pulp as the United States scales back its production. Six of the 12 leading manufacturers in the world are located in South America and three of them alone are responsible for an 8 percent increase in the global capacity of wood pulp production, according to Taylor.

The port authority recently announced that Mississippi-based American Log Handlers (ALH) has begun exporting southern yellow pine logs to China for home building through the Blount Island and TraPac marine terminals.

ALH expanded to Northeast Florida in November by establishing a log yard in nearby Yulee. The company purchases logs from timberland owners in the region and Southeast Georgia, debarks them at the yard and ships them to China in 40-foot containers. The logs are an oversize variety that are too big to be processed by area chipping and saw mills and would otherwise have to be trucked more than 100 miles to mills that could accommodate them.

ALH sells the logs to Massachusetts-based International Forest Products, which arranges exports with MOL, China Shipping Container Lines Co., and Mediterranean Shipping Co. The Southeastern United States is expected to become a major export growth market because China’s other main sources for pine lumber — Russia, Canada and New Zealand — cannot keep up with Chinese demand due to limited growing space, export restrictions or the need to meet domestic demand first, according to ALH.

JaxPort’s second biggest segment, in terms of tonnage, is automobiles. Jacksonville is one of the leading ports for auto imports and is the largest port in the nation for automobile exports. In fiscal year 2013, ended Sept. 30, the port handled 630,697 total vehicles. Several auto processors, including AMPORTS, operate at the port.

Capacity at the Blount Island auto facility should be expanded by leasing extra land, developing an auto operation that would coexist on the Dames Point Cruise Terminal, or adding vertical storage, the master plan says.

Project cargo represents another large piece of activity at the port. The master plan calls on JaxPort to more aggressively pursue high-and-heavy roll-on/roll-off cargo by developing more acreage and rail access for handling earth moving and mining equipment in demand in Africa and South America, which would help fill vessels and make the port more attractive to pure car and truck carriers.

Last year, the port authority completed an 18-month, $12.4 million rebuild of Berth 3, located at the Blount Island Terminal that enables it to handle the heaviest types of cargo. The facility has rail service from CSX and recently handled a 238,000-ton turbine bound for New Caledonia, Taylor said.

JaxPort could add a quarter-million container windfall on top of the 930,000 TEUs it already handles by dredging its channels.

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Brian Taylor, CEO, Jacksonville Port Authority