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Asian shipping company to build base in Jacksonville

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JACKSONVILLE -- The first shipping company to bring direct Far East container service to Jacksonville is expected to begin operating here in late 2007 or early 2008.

Tokyo-based **Mitsui O.S.K. Lines Ltd.**, known as MOL, plans to make Dames Point its base of East Coast operations with a \$200 million terminal. The company will sign a 30-year lease with the **Jacksonville Port Authority** during an Aug. 3 groundbreaking.

The deal is expected to create 1,800 direct jobs, 3,800 indirect jobs and an \$870 million economic impact, according to a port consultant's analysis. It will generate about \$7 million in port authority revenues.

And for local Asian-minded companies and economic development leaders, it will be a vital element to help Jacksonville realize its aspiration to be an international city.

"This is pretty dramatic," said **Jim Valenti, CEO of World Trade Group**, a Ponte Vedra Beach consulting company that helps others do business in China. "We've been waiting for this for a long time."

Although it will still lag in Asian trade behind Savannah, Ga., which has more than a dozen weekly services to the Far East, Jacksonville's first step is a big one.

The initial phase of the deal calls for MOL to build a 158-acre container terminal at Dames Point, its first on the East Coast. The initial project, expected to take about two years to build, will include two 1,200-foot berths, six container cranes and other infrastructure. The terminal could expand to 200 acres over time.

When it begins operating, MOL will be the authority's largest tenant in terms of acres leased (more than twice the next biggest), revenue and containers handled.

Last year, port authority terminals handled 727,000 containers. The new terminal is planned to handle 360,000 containers, making Jacksonville one of a dozen U.S. ports to handle more than 1 million containers annually. MOL could expand to handle more than 800,000 containers a year.

Roy Schleicher, the port authority's senior vice president for trade development and marketing, is confident MOL's service will both generate new business as the region grows and capture existing shippers who have relied on other ports.

"When we marketed the port to MOL, we continually pulled information on what shippers could be served out of Jacksonville," he said. "They saw a good base of cargo in the Florida and South Georgia area."

The new terminal will be comparable to MOL's terminal in Southern California and more than five times the size of its Northern California terminal in Oakland, which the company is doubling in size to 66 acres.

The company, whose North American headquarters is in Concord, Calif., has been seeking a place to build a terminal on the East Coast to give customers more options for shipping goods. West Coast terminals have been congested for some time, and the cost and time to move goods east by rail and truck have increased amid capacity crunches with both modes.

And when MOL makes stops at East Coast ports, it uses other organizations' terminals. "Having our own terminal means we can ensure our customers get priority handling," said John Gurrad, MOL vice president of business planning.

In choosing where on the East Coast to locate, the company heavily weighted the Southeast's status as the country's fastest growing region. Add to that the desire for enough land to build a major terminal and Jacksonville vaulted to the top of MOL's options.

At the same time, with MOL's arrival, Jacksonville's edge in land availability among Southeast ports is all but gone.

The port authority is essentially built out at its Talleyrand and Blount Island terminals. Dames Point will have about 60 acres after the first phase of MOL's terminal construction, and MOL has the option on most of that. The ability for future growth depends greatly on the authority's efforts to buy more land.

"We're mindful that there's a finite amount of property available for port development," said David Kaufman, authority senior director of planning and port development. "We're trying to put together an acquisition program that meets our demands."

Kaufman said the list of properties the port authority is interested in is short, reflecting the diminishing inventory of land along the St. Johns River. Besides ongoing talks regarding the former **Smurfit** paper mill north of the Talleyrand terminal, the port has had intermittent discussions with large landowners along Heckscher Drive.

In the meantime, port officials must concentrate on fostering growth among companies already operating at its terminals.

"We don't just market the land we have. We also market the existing tenants," Schleicher said. "We have to look at ways to get more shippers using the tenants we do have."

Jacksonville Regional Chamber of Commerce officials were excited about the news, particularly those involved in business recruitment and international business development. Experience indicates MOL's presence will eliminate an obstacle to their efforts.

"The question has come up with prospects: 'Do you have service connectivity between Jacksonville and Asian markets?'" said John Freeman, director of the international department of Cornerstone Regional Development Partnership, the chamber's economic development arm.

"Until now, the answer has been no," he said. "We have now increased our chances to recruit manufacturing, distribution centers and warehousing business."

MOL can also give local companies doing business in Asia or wanting to do business there a boost to their bottom line by cutting other transportation costs. For example, trucking a 40-foot container from Savannah, the nearest port with direct container service to Asia, costs \$450 to \$500.

"When you're dealing in products where margins are thin, it makes a difference," Valenti said.

Trucking rates have been going up amid a nationwide driver shortage that has strained capacity. Valenti, whose company brings about 200 containers a year into Jacksonville, saw his trucking costs rise 25 percent from 2003 to 2004.

Besides money, being able to move goods to and from Asia through Jacksonville will save area businesses time. The same capacity issues that have caused rates to increase have also led to longer delays, often five days or more, in getting containers from Savannah to Jacksonville.

"There's no good reason why anyone would want to continue going through Savannah," Valenti said.

Gurrad projects that some trucking activity in Savannah will migrate to Jacksonville. "It's a win-win all the way around for North Florida."

The Asian ports that will be on MOL's routes serving Jacksonville are not yet known. MOL has two weekly services coming through the Panama Canal and is considering adding a third. The company is also considering long-term plans to bring Asian service through the Suez Canal as the Panama Canal grows more congested and as ships capable of passing through it become harder to find.

And while the local buzz is about connecting to the Far East, MOL also sees the new terminal as critical to its interests in Latin America.

"The new terminal at Dames Point will become a major gateway for the rapidly growing Asia-Southeast U.S. and U.S.-Latin America markets," MOL Deputy President Hiroyuki Sato said in a statement.

The port authority has been working for years to get into the Asian shipping game. In June 2004, a group of port officials visited many companies in China, South Korea and Taiwan during a Far East trip.

Ultimately, however, they found success with MOL after talks that began in October 2004.

"Both sides were eager to get a deal done," Gurrad said.

One reason MOL felt comfortable moving quickly, he said, is that it was already familiar with the facilities here, having moved cars through Jacksonville in the past. "We know Jaxport people fairly well."

tquesada@bizjournals.com | 265-2220

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