

Shipping. Hub push

# Tradepoint Atlantic seeks to shake up maritime business

Investors believe facility has potential to transform US north-east distribution

ROBERT WRIGHT — SPARROWS POINT

It would be easy to mistake the scene at Sparrows Point, a five-square-mile waterfront site outside Baltimore, Maryland, for a case of simple post-industrial neglect. Weeds grow on many of the quays at the port that once employed 30,000 people and the slightest wind produces conditions akin to a desert dust storm.

But the presence in the port of the STH Athens, a dry bulk carrying ship, testifies that the site is coming back to life. Hilco Global and Redwood Capital, two US financial investors, are gradually turning the vast facility into a port, distribution and logistics facility named Tradepoint Atlantic.

The project promises to be the only sizeable entirely privately owned port development on the US east coast. The investors believe the availability of so much space on a site linked to sea, rail and road transport can transform how goods are distributed around the US north-east. They expect their investments, together with those of customers, to reach \$1bn over the next 10 years.

"It's a global trade point, where we plan to do a great number of things for different industries," says Kerry Doyle, vice-president of finance of the venture.

Some of Tradepoint's plans will increase competition for the nearby Port of Baltimore, owned by the public-sec-

tor Maryland Port Administration. But James White, the MPA's executive director, welcomes the potential for the facility to attract capital to the area and generate extra maritime traffic. "That's darn encouraging from where I sit — that you can grow maritime trade without having to invest government dollars."

The question, according to Neil Davidson, analyst at Drewry Shipping Consultants, is whether shipping lines and other transport companies will be prepared to scrap their current arrangements and move to Tradepoint.

"There are an awful lot of very well-established container ports on the US east coast who will be very reluctant to allow any loss of market share," he adds.

The investors have taken the site on partly because they have re-evaluated the risks and rewards of a site with such a long, complex history. Sparrows Point was operated for most of its 124 years by Bethlehem Steel, a steel producer that left the site littered with potentially harmful substances when it filed for bankruptcy in 2001. Subsequent owners failed to make a success of the steel mill before production finally ceased with the bankruptcy of RG Steel in 2012.

Until Hilco submitted its bid in 2014, investors interested in the site were deterred by the potential clean-up costs. Hilco was able to buy the site, which was sold after the Bethlehem bankruptcy for \$950m, for just \$72m. Redwood later joined the project.

Bethlehem left behind some useful assets. For example, the yard on the site's north side hosts hundreds of rail tank cars that have no work because of the oil price fall.



Baltimore's Inner Harbour. The nearby port at Sparrows Point has the potential to attract new capital to the region — D Trozzo/Alamy

Michael Moore, chief executive of the project, highlights how Bethlehem built more than 100 miles of rail track, connected to both Norfolk Southern and CSX, eastern US's two biggest railroads, as well as the site's port facilities.

The transport connections are already producing customers. Work is under way near the rail yard on a logistics facility for FedEx, the express parcel service, which was attracted by the site's links to the US interstate highway.

This month, Tradepoint announced a deal with Pasha Automotive Services, which handles car imports for manufacturers, to start landing vehicles for Fiat Chrysler at Tradepoint from July.

Space at Tradepoint is so plentiful, according to Mr Moore, it should allow companies such as Pasha to cut out calls at other ports in the north-eastern US and run their distribution from Sparrows Point.

But considerable uncertainty remains for the project. While the investors have not disclosed how much they have put into the project, Mr Doyle is only now embarking on raising the business's first outside capital. It also remains uncertain, according to Mr Davidson, how traffic patterns on the US east coast will change once the Panama Canal expansion is launched this month.

The "\$64,000 question", Mr Davidson says, is whether US east coast ports gain market share from west coast rivals.

Nevertheless, Mr Doyle predicts the project will transform goods movements locally and provide a model for other, similar sites. "We see this as an investment thesis," he says. "We feel this can be replicated elsewhere."