



Massachusetts Port Authority
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October 1, 2018

Steven T. James
House Clerk
Office of the Clerk of the House
24 Beacon Street
Room 145 — State House
Boston, MA 02133

William F. Welch
Senate Clerk
Office of the Clerk of the Senate
24 Beacon Street
Room 335 — State House
Boston, MA 02133

Dear Sirs,

On behalf of the Massachusetts Port Authority, please accept this letter as the Authority's annual report to the Chairs of the House and Senate Committees on Bonding, Capital Expenditures and State Assets on improvements at the Paul W. Conley Terminal in South Boston as required by the 2016 Act Relative to Job Creation and Workforce Development.

The funding authorized in Section 6720-1340 of the Act is for improvements to the Paul W. Conley Terminal to accommodate the large container vessels being deployed by ocean carriers that service Massachusetts importers and exporters. In 2018, 72% of the container ships calling Conley Terminal are large vessels in the 8,000-10,000 TEU (twenty foot equivalent unit, an industry measure of container size) range compared to just 35% in 2016. Conley Terminal is the region's only full service container terminal with the only deep-water access capable of servicing large ships. The industry has responded positively to the commitment to upgrade the facility for larger ships. Conley Terminal set its fourth consecutive record for volume in FY18, processing over 283,000 TEUs.

However, key infrastructure improvements must be made so Conley Terminal can continue to grow the Massachusetts economy. The State bonding

authorization is helping to fund the construction of a new deep-water berth and procurement of three new cranes capable of servicing the larger ships at Conley Terminal. These improvements, together with the dredging of Boston Harbor and modernization of Conley Terminal's existing facilities, will ensure the continued competitiveness of the Port of Boston, which is responsible for over 7,000 direct jobs and \$4.6 billion in annual economic impact.

The Authority's annual report in connection with these improvements is provided below.

I. Progress on Dredging Boston Harbor

There are two major components of the Boston Harbor dredging project: (1) maintenance dredging to preserve vessels' ability to deliver home heating oil, jet fuel, and salt to terminals along the Chelsea and Mystic Rivers and, (2) improvement dredging to accommodate larger container vessels being deployed by ocean carriers. Maintenance dredging, which received \$12 million in federal funds in the Army Corps of Engineers' (ACOE) FY16 Work Plan, began in July 2017. The ACOE contracted with Great Lakes Dredge and Dock to perform the work, which was completed in December 2017.

The improvement dredging project began in July 2018. The ACOE has contracted with Cashman Dredging and Marine Contracting to perform the work. Cashman's production rate has been high, which is helping the project move faster than anticipated. To date approximately 500,000 cubic yards have been removed. The dredging project continues to receive federal funding that builds on the support from the Legislature and the Baker-Polito Administration. In addition to the \$18M in the FFY2017 ACOE work plan, the ACOE received \$58M in the FFY2018 work plan with an additional \$15M pledged to the project in the FFY2019 Civil Works Budget.

Finally, this year Senator Ed Markey, Assistant Secretary for the Army for Civil Works R.D. James, and MARAD Administrator Mark Buzby came to the Port of Boston to see its revitalization and tour the dredging project.

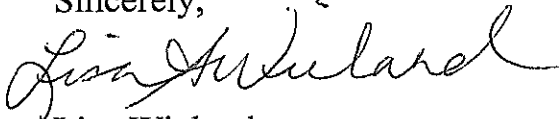
II. Updates on berth construction and crane procurement

Construction on the new berth 10 to handle larger ships began in July 2018. Massport has also issued a RFP for three new ship-to-shore cranes that can reach across ships as wide as 22 containers. Responses are due in October 2018. The berth and cranes projects are expected to be complete in late 2020.

project will double the number of containers processed at Conley and protect and grow the more than 7,000 direct jobs in the working port.

Massport is grateful for the leadership of the Legislature and the Baker-Polito Administration to keep Conley Terminal competitive in the global shipping industry. We look forward to continuing this partnership as all of these initiatives are implemented to make sure the working port continues to support Massachusetts businesses and workers.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa Wieland". The signature is fluid and cursive, with a large initial "L" and "W".

Lisa Wieland
Port Director

CC: Thomas P. Glynn, Massport CEO

III. Progress on efforts to seek federal funds and reimbursement

On September 7, 2016, then US DOT Secretary Anthony Foxx announced a \$42 million FASTLANE grant to help maintain and modernize the existing facility at Conley Terminal. The FASTLANE grant will help fund the rehabilitation and deepening of berth 11, repair of berth 12, new gate facilities and other technology and equipment upgrades. Fifty percent of the FASTLANE projects are underway or completed as of the date of this report.

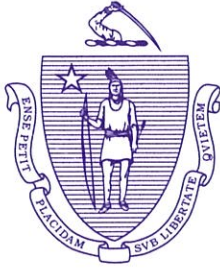
This year, Massport applied for a \$63M Federal INFRA Grant (formerly FASTLANE) to help fund the new berth 10, but was not successful. Massport has also applied for a \$25M Federal BUILD grant (formerly TIGER grant program) to expand Conley Terminal's capacity for container storage. With the growing volumes and larger ships, the terminal needs more room to accommodate the additional containers in a way that maintains terminal flow and efficiency. BUILD grant announcements will be made by December 18, 2018.

IV. Feasibility of obtaining private funds

Since our last annual report, Massport continued to explore the feasibility of obtaining investment from private interests including pension funds, infrastructure development funds, and private direct investment in Conley Terminal, to name a few. In May 2018 Massport issued an RFI seeking a strategic partner to finance, procure, and deliver three ship-to-shore cranes for Conley Terminal. Four responses to the RFI were received, but none were commercially viable.

V. The economic benefits derived from this investment

The Port of Boston is a vital transportation and economic resource that serves the shipping needs of 1,600 businesses across New England. Some Massachusetts companies that rely on the Port include Jordan's Furniture and International Forest Products in the southeast region; United Liquors and Christmas Tree Shops on the South Shore; East West Furniture and Millipore in Northern Massachusetts, Webstone and BJ's Wholesale Clubs in the Worcester area; and Disston Company and Chemetal in Western Massachusetts. Conley Terminal facilitates the movement of goods to New England's markets with speed and efficiency ensuring that the region's 14 million consumers have the products they need, when they need them while also providing a gateway to the world for the region's exporters. According to the ACOE, the investment to build a deep-water berth 10 and procure big-ship cranes combined with the harbor deepening



The Commonwealth of Massachusetts
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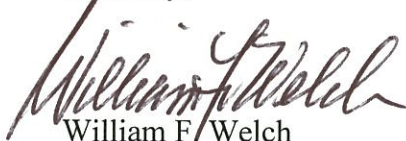
October 5, 2018

Senator John F. Keenan
Senate Committee on Bonding, Capital Expenditures and State Assets
State House – Room 413F
Boston, MA 02133

Dear Chairman Keenan,

Attached please find a copy of the Massachusetts Port Authority Annual Report, recently filed with this office.

Sincerely,


William F. Welch
Clerk of the Senate