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by **James Baker**

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PORTS America chief executive Mark Montgomery has only been in post for five months, but he is no stranger to the company he now heads.

Mr Montgomery joined what was then International Terminal Operators, one of the legacy companies that eventually became Ports America, in 1988.

His roles at the company and its successors saw him rise to president and chief executive at Ports America Chesapeake, after which he left the company in an executive role, but stayed on as a board member for a number of Ports America's terminals before moving to the company's ultimate owner, Oaktree Capital, as an adviser.

"I've been through many of the bumps and runs of the company as its gone along its path," he tell Lloyd's List.

His installation as president and chief executive of the whole Ports America group followed the departure of former Maersk alumni [Michael Hassing](#) and came at a time of changing direction for the stevedore and terminal operator.

Ports America, which emerged out of DP World's forced sale of its US assets when it acquired P&O Ports, came under the control of insurance group AIG's Highstar subsidiary, which was later spun off as Highstar Capital and acquired in 2014 by Oaktree Capital.

At the time, it appeared that Ports America was up for sale. Highstar was said to be looking for a buyer and Turkish investor Robert Yildirim was understood to be interested in acquiring the venture, but no deal was ever signed.

From sale to growth

Now, however, Oaktree is standing behind the company again, according to Mr Montgomery.

"We are moving from a sale mode to a growth mode," he says. "That has helped drive the business in the short five months that I have been here. Going from being for sale to being able to grow our business in the US is a major change."

A new transportation infrastructure fund within Oaktree is looking at port assets and beyond, Mr Montgomery says.

"It has a broader scope, which is another interesting reason for having some exposure to that," he says. "As an operating partner has helped me understand the broader transportation and logistics opportunities that Ports America can have."

The company is now looking at how it can connect better to its end customer, and to other modes of transportation, be those rail or road.

"We're looking at how port assets connect with other assets that Oaktree is looking at with its new infrastructure fund," Mr Montgomery says.

"We are also looking beyond the terminal gates. How do we end up helping the supply chain and the beneficial cargo owner who is looking to get his cargo from the ship to the store, and whether Ports America or its family of companies have an opportunity to help in the logistics chain."

Mr Montgomery doesn't, however, see this as competing with third-party logistics suppliers.

"As a port operator there is only so much of that we can do as we try to increase the stickiness to our facility. We have a great amount of data that

comes from handling the cargo that comes into our terminals and can offer better mousetraps for a BCO to get its cargo faster or more efficiently.”

An example of this is trying to get drayage operators through the terminal faster, he says. The company is discussing with logistics technology company LoadSmart about how to deliver by bill of lading rather than container number.

“We can help the drayage operator be more efficient by helping move the first box available rather than the box that’s been dispatched,” Mr Montgomery says. “That is a cultural change but something that we’re working on. Oaktree is willing to invest in and support it.”

Future growth

Oaktree may also be prepared to help the company expand its footprint, which is already large.

Despite already owning 83 facilities in 42 ports on the east, west and Gulf coasts, Ports America has visions of getting bigger.

“We’re interested in all assets but obviously we’d be interested in any US asset,” Mr Montgomery says.

“Currently we are North America-driven and we are looking at assets in the region. That could include Canada. There are great opportunities for us to grow in North America.”

He adds that Ports America is already in all the locations one would want to be in the US.

“We are still the only tri-coastal terminal operator with this platform,” Mr Montgomery says. “That creates opportunity for us with clients and where we touch cargo.”

The support of Oaktree has created a “great opportunity” for Ports America to look for additional public-private partnerships and expand current facilities with port authorities.

“Volumes are up, business is up and our target, which ties with our mission, is that there is an opportunity now that we are not for sale that creates an opportunity with our employees, with our customers and with the port authority stakeholders,” Mr Montgomery says.

The San Pedro complex

One obvious option for expansion for Ports America is Long Beach Container Terminal, which OOCL and Cosco have put into trust [ahead of a sale](#) to meet a US national security agreement with the Departments of Homeland Security and Justice.

Despite already having facilities in San Pedro Bay at both Long Beach and Los Angeles, Mr Montgomery says LBCT would be an attractive opportunity and he is not concerned about the potential overcapacity at the west coast complex.

“Having the facilities and capacity is a good problem for San Pedro Bay,” he says. “I see it as an opportunity for carriers to grow volume there. You could argue that a bit of capacity there allows for an opportunity for GDP growth to happen without major issues.”

Moreover, he believes that the terminal capacity in San Pedro Bay will generate opportunities for the alliances to create efficiencies in delivery of containers.

Big ship economics

And those efficiencies will become more necessary in the world of consolidation among container lines and the move to ever larger vessels.

But consolidation is not a threat to terminal operators, Mr Montgomery says.

“It is the state of play with big ship economics and the way to move cargo more efficiently,” he says. “We are at a point in time where we’re going through infrastructure improvements to handle big ships.”

Ports America’s footprint allows it to accommodate larger ships, he adds.

“We are situated in locations where we have those opportunities.”

But those big ship economics also create challenges because of the nature of how a ship unloads and what happens on the landside during that operation.

“Instead of 2,000-3,000 containers from a ship, you can start doubling everything and that creates different logistics challenges,” he says. “The lines have formed alliances to build efficiencies for themselves but that has created challenges for all of us.”

But at some point a natural plateau will be reached that will allow some time to breathe, Mr Montgomery believes.

“At least in America there is a finite growth spot that we’ll get to. So you hunker down and develop to that capacity of vessel and we should then have some respite.”

There are physical limits with big ships from the standpoint of what US waterways and infrastructure will handle, he adds.

“That’s going to be our peak capacity without major changes. Currently it is 18,000 teu vessels that are the ones we are thinking about as building to accommodate.”

And despite the heightened tensions between China and the US over trade and the growing tariff war between the two countries, Mr Montgomery is positive about the state of global trade.

“Consumers in America will continue to consume and we may end up seeing products coming from other areas of the world” he says. “We are well-positioned for that because of our tri-coastal platform.”

Having facilities on the east coast of the US means that if trade flows move from China to southeast Asia and goods are imported via the Suez Canal to the eastern seaboard, Ports America will still profit from the move.

“Our platform does support the effects of that. We’re doing what we’re supposed to do, which is to continue to prepare our facilities and our assets to handle the cargo growth that is coming and hunkering down through this,” Mr Montgomery says.