

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Joint Resolution 14 (Senator Stone, *et al.*)
Finance

Ports - Delay of the Sale of Port Operations

This joint resolution requests that the President of the United States delay the sale of the Peninsular and Oriental Steam Navigation Company (P&O) to Dubai World Ports until there has been a thorough public review and disclosure of the transaction. In addition, the resolution communicates that the General Assembly supports the enactment of the U.S. Congress to declare a moratorium on that transaction, and if necessary, the General Assembly urges Congress to override a presidential veto.

Fiscal Summary

State Effect: Compliance with this joint resolution would have no fiscal effect on the Port of Baltimore according to the Maryland Port Administration; stevedoring operations would continue as under current practice.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: None applicable.

Background: P&O is a major international logistics and transport company founded in 1837 that employs 22,000 people. It was a publicly traded company, listed on the London Stock Exchange. The firm's headquarters are located in London, United Kingdom. Its subdivision, P&O Ports, is a leading global port operator. It operates 29 container terminals and logistics operations in over 100 ports, with a presence in 19 countries, including at the Port of Baltimore. Its main service is containerized cargo handling.

Dubai Ports World (DPW) is a port company owned and controlled by the government of Dubai, a member of the United Arab Emirates. The holding company is directly controlled by the current leader of Dubai, Sheikh Mohammed bin Rashid al Maktoum, who is also the prime minister of the United Arab Emirates.

In mid-October 2005, DPW approached the Committee on Foreign Investment in the United States (CFIUS) to clear regulatory hurdles for a possible acquisition of P&O. CFIUS is the multi-agency federal panel that passes judgment on deals with foreign corporations that raise antitrust or national security questions.

In February 2006, the stockholders of P&O agreed to a sale of that company to DPW. As part of the sale, DPW would assume the leases of P&O to manage major U.S. port facilities in 22 ports, including Baltimore.

After P&O stockholders approved the deal, the arrangement was reviewed by CFIUS and approved. When news of the deal became public, members of Congress expressed concern about the transaction and whether or not it would have a negative impact on national security. Concerns were also raised as to the lack of involvement of Congress and the President in the deal. The White House supported the deal, arguing that the United Arab Emirates was a strong ally and that the deal would not compromise national security. Congress moved to block the deal through both House and Senate action. On March 9, 2006, DPW released a statement saying it would turn over operation of U.S. ports to a U.S. firm. As the takeover of P&O has been concluded, DPW is currently searching for a firm. In the meantime P&O Ports is still operating at U.S. Ports.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Peninsular and Oriental Steam Navigation Company, *San Diego Tribune*, Maryland Department of Transportation, Department of Legislative Services

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