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2011 PORT SERVICES UPDATE:

Preparations under full sail

The Panama Canal expansion—expected to be complete by 2014—has seaports throughout the hemisphere readying for a new competitive landscape. For most, that means offering value-added services designed to move inbound goods faster than ever before. Here's where the preparations currently stand.

By Patrick Burnson, Executive Editor

When the American Association of Port Authorities (AAPA) holds its fourth annual "Shifting International Trade Routes Seminar" in Tampa, Fla. this month, more than a few speakers will be sounding the call for more infrastructure.

"As we look back on a difficult couple of years and ahead on how trade can spur economic recovery and future growth, we must begin developing and implementing policy and programs that will sustain and improve critical gateways for global trade," says Kurt Nagle, AAPA president and CEO. "By raising the priority of seaports and their connecting infrastructure in the federal agenda, America can modernize its seaports and intermodal connections to help make the nation more internationally competitive in an increasingly fierce global trading environment."

According to Nagle, this particular event will also focus on how trade patterns and infrastructure needs will be affected by the expansion of the Panama Canal that's currently underway. Among those slated to speak at the AAPA event is Dick Steinke, executive director of the Port of Long Beach. And if he is to make a case for more spending in Southern California, Steinke has the support of Joel

Anderson, president and CEO of the International Warehouse Logistics Association.

"Competition for international trade is changing as the global recession caused shippers and receivers to reevaluate their supply chains," says Anderson. "For the ports of Los Angeles and Long Beach, this means restoring their reputation as freight friendly distribution points and mini-bridge centers."

Anderson adds that the Ports of Los Angeles and Long Beach need to act quickly before ports elsewhere use the current reputation of the southern California ports to shift the focus of Asian import trade from the West Coast to other ports in the U.S., Mexico, and Canada. "Although West Coast ports handled nearly 70 percent of the traffic coming from Asia until recently, the reanalysis away from Southern California ports will gain because of the widening of the Panama Canal," adds Anderson.

At the same time, say many analysts, a new parity is emerging among all North American ports—an unforeseen consequence of new investment in infrastructure and services.

Cross-cultural agreements

By all observation, the West Coast ports and their service stakeholders have been on the same page when it comes to enhancing services. At the Port of Oakland, for example, the focus has been on enhancing warehousing and logistics facilities and creating seamless cold chain services for U.S. companies exporting their perishable products to China.

"China is a significant and rapidly growing market for U.S. food and agriculture products, but the lack of cold chain services is inhibiting the export potential," says Omar Benjamin, the port's executive director. "Our initiatives will help make it easier, safer, and faster to export U.S. commodities from California and distribute them throughout China."

Late last year, Oakland and China Merchants Holdings International Company Limited (CMHI) entered into an agreement to strategically market and develop supply chain solutions for U.S. exports, particularly agricultural commodities and perishable products. CMHI is a leading public port operator in China with a strategic network of ports in China's coastal regions. "The form and scale of this partnership is a first for the U.S. port industry," says Benjamin.

Oakland's Pacific Rim neighbor in the far reaches of British Columbia has a similar strategic service agreement, signed by Canada's Prince Rupert Port Authority (PRPA) and Maher Terminals Holding Corp. recently.

Their "Level of Service Agreement" is designed to promote and better measure improvements in port performance and to enhance Prince Rupert's role as a preferred gateway on the West Coast for Central Canada and U.S. Midwest markets. It establishes performance targets, customer service measures, and productivity indicators to improve the flow of containers through the Prince Rupert gateway, including specific times for unloading and loading containers between vessels and rail cars, dwell times at the terminal, and Canadian National (CN) transit times to markets in Canada and the U.S.

For Claude Mongeau, CN president and chief executive officer, this represents another important supply chain collaboration with the principal stakeholders of a vital gateway for international trade.

"This agreement fully aligns the interests of CN, the PRPA, and Maher in achieving continuous performance improvement at the port; will permit transparency in data collection; and encourage balanced accountability of port stakeholders," he says.

Mongeau also recognized Maher Terminals as the first container terminal operator to engage in electronic data interchange with CN—a major step forward, allowing both parties to quickly capture and measure all events in the supply chain from container vessel discharge at port to arrival at final destination.

CN has signed the same agreements with the Port of Halifax and its two container terminal operators, Port Metro Vancouver and two of its container terminal operators, and the Port of Quebec and one of its terminal operators.

Raising bridges

On the other side of the continent, Halifax and The Port of New York/New Jersey have been investing in infrastructure and ramping up services. Canadian exporters welcomed the inauguration of the first vessel in CMA-CGM's expanded Black Pearl service last December.

This weekly and direct container service to ports in Panama, Ecuador, Peru, and Chile makes use of the South End Container Terminal, which is operated by Halterm Container Terminal Limited at the Port of Halifax. The Port of Halifax continues as CMA-CGM's Canadian port and intermodal Canadian gateway with the extension by CMA CGM of its Black Pearl service to the West Coast of South America.

Jean-Yves Duval, vice president of Caribbean and Latin America Lines for CMA-CGM Group, says that thanks to these new calls on the West Coast of South America, CMA-CGM will provide shippers with a direct transportation option to support the development of the growing markets between Canada and the West Coast of South America. This upgraded service will not only offer extended coverage, but also increase the numerous connections into the Caribbean, Central America, and the East Coast of South America.

At the same time, the Halifax Port Authority is working with the operators of the Halifax Grain Elevator to expand and develop an export market for "pulse" products from the region. "Pulse" products included edible seeds of legumes, such as beans, peas, chickpeas, and lentils that can be shipped around the world to emerging markets in container ships rather than by traditional bulk and/or breakbulk vessels.

"Before this container loading technology was installed here, these soybeans would have been transloaded from hundreds of miles away," says Duval.

While moving such massive mountains of beans is a significant port services achievement, the Port of New York/New Jersey may soon be using "levitation" to solve one of its most vexing problems. Following a comprehensive review of numerous alternatives, the Port Authority announced its solution to the Bayonne Bridge clearance issue—raising the bridge's roadbed to approximately 215 feet to increase the existing 151-foot navigational clearance restriction.

The modification and rehabilitation solution is designed to fix the bridge clearance issue, which will pose a navigational problem for larger ships trying to access the Port of New York/New Jersey after the Panama Canal expands.

According to the Port Authority, the "Raise the Roadway" project will involve reconstruction of the existing approaches, ramps, and main span roadway to a higher elevation that would allow the crossing to accommodate larger ships. The alternative, as compared with others reviewed to replace the bridge, is the most cost effective, and has the fewest environmental and neighborhood impacts.

Port Authority staff is currently drilling down on engineering issues for the proposed solution, including roadway design, lane configuration, and upgrades to the existing 10-foot-wide lanes, providing median dividers and shoulders, and adding additional safety and security measures. The Port Authority reports that it will also work with its regional partners to initiate and expedite the environmental regulatory process.

"The bridge is critical to the circle of mobility in the region," says Bayonne Mayor Mark Smith. "It has become an obstacle to safe navigation in the port so something had to be done. The Port Authority has selected the least disruptive, least expensive and quickest option."

But will it be quick enough to stem the flow of goods being drawn to the southern rivals of Jacksonville and Savannah?

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—Kurt Nagle, AAPA

Southeast is booming

According to Jock O'Connell, Beacon Economics' international trade adviser, the nation's supply chains are being reconfigured due to a dynamic shift in workforce populations.

"Most U.S. multinationals are moving from the West and Southwest to the deep South and Gulf regions," he says. "And that means that the cargo flows are going to be directed to ports in the region with the best infrastructure and services."

Container throughput and volume figures released late last year by the Jacksonville Port Authority support this contention. According to Chris Kauffmann, who served as the port's interim executive director, the gateway moved a record number of containers in fiscal year 2010—the second consecutive year of container growth for the seaport—and marked a decade of consistent growth in earnings. "The momentum is building and we look for more positive news in the new fiscal year," he says.

And now that the Port of Jacksonville has former Federal Maritime Commissioner (FMC) A. Paul Anderson leading the team, a focus on services should also be key. Prior to serving on the FMC, Anderson served as a senior fellow of the Transportation and Infrastructure Committee at the U.S. House of Representatives.

The services foundation is firmly in place already, too. The Port Authority has 18 container cranes, on-dock refrigerated and freezer warehousing, and Foreign Trade Zone status. To help rush goods to market, shippers can take advantage of Jacksonville's location at the crossroads of three major railroads (CSX, Norfolk Southern and Florida East Coast Railway) and three interstate highways (I-95, I-10 and 1-75).

Georgia Ports Authority's (GPA) Executive Director Curtis Foltz is bullish on 2011, too, promoting Savannah's services and strategic advantages: "The Savannah Harbor Expansion Project will deepen the river from its current 42-foot depth to as much as 48 feet," he says, noting that the project is widely supported by Georgia's state leadership, which has appropriated $105 million of construction funds to date.

In preparation for the Panama Canal Expansion, the GPA has embarked on an aggressive expansion and modernization plan to more efficiently accommodate newer, larger vessels that are already calling on the U.S. East and Gulf Coasts. These vessels like the CMA CGM Figaro, which called on Savannah late last year, offer more capacity and lower cost per container compared to current Panamax vessels.

As the fastest growing and fourth largest container port in the nation, and strategically positioned with two Class I rail providers on a single terminal, the Port of Savannah is responsible for moving 8.3 percent of the U.S. containerized cargo volume and more than 18 percent of all East Coast container trade in 2010.

The Port of Savannah also boasts a uniquely balanced export-import ratio, and handled 12 percent of all U.S. containerized exports last year.

Gulf upstarts

Having proved its resilience in the face of Hurricane Katrina and the recent BP spill, the Port of New Orleans is ready to demonstrate it can compete with some of its regional neighbors for more cargo in the future.

"The port is in the process of investing more than $100 million into facilities," says port President and CEO Gary LaGrange. "Some $67 million is being spent on recovery projects either completed, under construction or in the design phase, and another $44 million is currently being spent on capital projects," he says.

Included in those numbers, says LaGrange, are two new container gantry cranes scheduled for delivery in early 2011, and expansion to the Napoleon Avenue Container Terminal, a new Riverfront Cold Storage Terminal, the complete refurbishment of the Julia Street Cruise Terminal, and a new modern dredge.

In step with the world economic climate and the weak dollar, New Orleans continues to see gains in exports, as well. Total exports rose 55 percent so far in 2010, with chemicals up 74.3 percent. Overall, breakbulk exports are up some 15.3 percent, while container exports rose 61 percent.

The small but impressive Port of Corpus Christi is also making a serious bid for more reefer business this year. "The port's business development team continues its pursuit of refrigerated cargo," says executive director John LaRue.

The port's cold storage facility is a 100,000-square-foot refrigerated warehouse, offering chilled and frozen space a short 60-foot distance from dockside with enclosed, temperature-controlled, rail and truck loading docks.

Strategically located on the western Gulf of Mexico, Corpus Christi is the sixth largest port in the U.S. in total tonnage. With a straight, 45-foot deep channel, the port provides quick access to the Gulf, the nation's inland waterway system, and delivers access to overland transportation with on-site and direct connections to three Class I railroads and interstate and state highways.

Up until recently, these advantages—as impressive as they sound—didn't really attract that much freight, however. What's changed? A surge in demand for U.S. cotton. Floods in Australia, ruined much of that nation's export crop just when consumers in Asia were clamoring for more apparel, and linen products. As a consequence, the commodity has become one this nation's newest success stories, demonstrating that if a port aligns itself with "a federal agenda" on exports, it can seize the moment for reinvention. □

–Patrick Burnson is Executive Editor of Logistics Management