In search of load centers

BY THEODORE PRINCE

Like Captain Ahab, in his relentless quest to conquer the great white whale in Herman Melville's classic, Moby Dick, today's ports carry on a frantic race for load center status.

In their pursuit of container steamship line customers, ports compete on two levels.

First, there is competition on a regional basis — ports seeking to attract lines for cargo in that region. Competition exists between ports closely located (e.g., Tacoma, Wash./Seattle, Norfolk, Va./Baltimore and Savannah, Ga./Charleston, S.C.).

Second, there is competition for intermodal cargo. This refers to discretionary cargo that may move ever numerous ports to reach its ultimate destination. Since ports rate themselves on volume handled, they are desperate for the large volumes represented by intermodal cargo.

The hunt for intermodal cargo forces ports to straddle both sides of the delicate benefit issue. On one hand, ports seek federal money for their “projects of national significance.” Yet they also spend a great deal of local government funds for which there is an implicit promise of benefits to local industry. The possible inappropriateness of local public funds being spent for intermodal projects has never been addressed.

How does it benefit local residents to spend their money for infrastructure to handle cargo “just passing through”? The job creation is miniscule. (Voters in Washington State will have an opportunity to voice their opinion on this matter in November when they vote on the FAST Corridor.)

The shipping industry is hoping that this port subsidy from local governments will continue, otherwise they would need to pay much higher rates to handle intermodal cargo.

The load center has a fairly intricate routine. Today, steamship lines, in an effort to reduce expenses, have bundled their volumes in order to induce ports to lower their rates.

The price of admission to become a load center is high. Large parcels of land must be made available for terminal development. Dredging may be necessary in order to handle deep draft vessels. Intermodal rail yards and connections may need to be built.

But often, this is no more than a ploy by a steamship line to reduce the costs of their present ports. APL Ltd. did this very successfully with Los Angeles and Seattle, and Maersk Line and Sea-Land Service Inc. currently employ a similar strategy with New York and other East Coast ports.

Dredging is an expensive, time-consuming and politically chancy effort. Efforts by the ports of New York and New Jersey and Oakland, Calif., have been long-running epics for years. The uncertainty of the harbor maintenance tax replacement makes this issue even more disturbing for ports.

Intermodal poses a real problem for ports. All railroads want to be friends with all ports they serve, and vice-versa. Yet, neither entity really understands the other, despite their efforts to do so.

One West Coast port recently announced what appeared to be an exclusive agreement with a railroad. The railroad clarified that it had made the offer as part of a standing commitment to negotiate any package a steamship line customer desired — over any West Coast port.

Despite best intentions to the contrary, not all ports will be successful in seeking load center status. Ports can be classified by their capacity and their future potential into a pyramid with three categories. At the top of the pyramid are “The Naturals.” These ports with both volume under long-term commitment and the necessary infrastructure in place to handle mega-port status. There are only a small handful of these in North America.

Next would be “The Wannabes.” These are ports that historically have had major operations but lack certain infrastructure. The most sought-after improvements have been dredging and intermodal capabilities. For a limited number of these ports, additional investment is warranted and would probably elevate their status. Otherwise, they will sink to the bottom category.

At the bottom of this pyramid is “The Dead Port Walking.” These are ports that have squandered opportunity, but seek to revive a past long gone and acquire a future that will never be.

Their fortunes were lost to competing ports that have signed their customers to long-term contracts. Without volume and without adequate infrastructure, they are ultimately doomed. The best hope is that they don’t squander additional public monies in fruitless projects.

This pyramid ignores niche ports. These ports have accepted a role limited in geography and/or function. Rather than engage in a quixotic pursuit of mega-port status, they fulfill their function in a cost-effective and customer-responsive manner. They have invested wisely and use the assets they have.

There is a sound future ahead for these ports.

State and local governments need to take a long, hard look at their prospects. If the future cannot support the absolute certainty of business growth, they should consider drawing back and accepting their lot.

Although the container business may not hold attractive prospects, other businesses might. Although ports have not been privatized in this country — as they are in others — they still should not spend the public’s money as if it were their own.

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