Petulant ports

Ralph Waldo Emerson once observed that "a foolish consistency is the hobgoblin of little minds, accored by little statesmen and philosophers and divines." As waterborne movement was a key component of nineteenth century American transportation, Emerson well may have been talking about ports.

In the past month, a commissioner of one of the nation's largest ports denounced congressional actions from this editorial page. His point was that seaports traditionally have been free to negotiate leases with international carriers, with necessary review being conducted by local jurisdictions.

Now, Congress has established a "dangerous precedent" by blocking a terminal lease.

Additionally, this official declared the fact that the legislation was enacted by Congressional rider (an unrelated amendment tacked onto other legislation, usually some sort of appropriation bill.)

This particular port seems to suffer from selective memory, having itself been in the past the beneficiary of congressional generosity. Some of that benevolence was delivered through riders or similar funding tactics.

Through its industry organization, the American Association of Port Authorities, it lent its support to congressional blockage of the Clinton administration's proposed replacement for the Harbor Maintenance Tax.

The industry's view is that there should be no tax (or user fee) and that general tax revenues should be the funding source for dredging.

There is of course, conflict here.

Ports with channels already deep enough to accommodate the new generation of mega-vessels seem to feel that a moratorium on dredging expansion is advisable. With limited government resources, they argue, why not use funds to protect "existing" assets?

Of course, this plan leaves the "have-nots" with no chance to compete in the future.

Amid all the discussion about "paranoia straight out of the McCarthy era" we can turn to one of the cinematic classics from the period just after that era to grasp some of the nuances of port philosophy. Facing imminent destruction, the title character in the film "Stranger than Paradise" lamented a mineshaft gap.

Ports seem to be preparing for a steamship-tenant gap.

There can be little doubt that the number of trans-Pacific steamship lines will decrease. Whether this takes place by merger, withdrawal or bankruptcy, deregulation has accelerated the trend towards market concentration.

If you don't believe that, consider the recent stories of other asset-based, network-operating companies, whether in transportation (in other words, rail, truck or airline) or in other business (for example, telecommunications or electric utilities).

Ports seem to be following a strategy of quantity over quality. They seem to think that if they sign up enough steamship lines as tenants, they will increase their chances of retaining a surviving carrier.

If a port can accommodate larger vessels through dredging and terminal construction, it feels it will realize larger annual volume guarantees.

This may or may not be the case. Furthermore, even if it is successful as a retention policy, this may not work as a practical means of operation.

The problem is the difference between physical and economic life. A terminal has a physical life of at least 20 years. The economic life is only as long as the underlying assumptions used in constructing a terminal remain valid.

Ports are building terminals for an industry with 10 to 15 major steamship lines. What happens when the industry contracts to just a handful?

Consider the plans of one major port. It plans to move line A into the terminal of line B, and move Line B into a new terminal. Line C will get much of Line A's existing space. Lines B and C would be undoing major additions to their facilities which were completed within the past five years.

These plans are not unique; several ports have developed similar ones.

The waste is incredible. Imagine a real estate developer building an apartment building with units for 12 people. Over time, these 12 marry and only require six units. The developer needs to remodel the 12 units into six. He must tear out six kitchens (only one per apartment is needed) and redo the other six (their specifications aren't suited for the new, increased demand).

It is doubtful that any savvy investor would tolerate such antics. However, as long as the financial community will buy port debt, port projects will continue.

The port industry has declared an "absence of centralization" in federal waterway policy. But perhaps ports should consider the inefficiency in their own planning. This country needs adequate port capacity and infrastructure.

Nearsighted strategies are dangerous regardless of who develops them. Improved coordination at federal, state, regional and local levels is required.

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