

Competition of ports with the panama canal



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Strategies for Older Ports

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Towards the end of next year, the Panama Canal will open a third set of locks allowing larger ships to transfer the canal. These “super ships” called Post-Panamax ships will soon have easier access to the ports on the east coast, reducing the travel times for cargo from Asia. This has resulted in aggressive port expansion to accommodate these giants. Many ports have the available room for expansion to handle the influx of containers without many modifications of their operations. However, many older ports desire an expansion although they are limited on room for expansion. How can these cramped ports compete with larger ports in attracting increased cargo volumes in the near future?

The first option for smaller ports with limited space is utilizing an off dock sorting area known as a satellite terminal. It is interesting to note that satellite terminal is only one of many terms describing the operation off-dock sorting areas; there seems to be no consensus on the terminology resulting in a wide range of terms including dry ports, inland terminals, inland ports, inland hubs, inland logistics centers, and inland freight villages (Rodrigue & Notteboom, n. d., para. 4). The satellite terminal uses dedicated rail service from the dock to a secondary sorting facility further inland. The advantage to this system is the ability to handle the increased volume of container from Post -Panamax ships at ports with limited land for storage of the containers, in effect increasing the ports throughput in crowded urban environments. The containers are loaded onto waiting train shuttles without sorting by destination. The train then carried the containers to a secondary sorting yard

where the containers undergo further transferring to other trains by destination. Additionally the satellite terminals can service the trucking industry. Trucks deliver container to the satellite facility to be loaded on a rail car for delivery to the dock or a terminus inland. The “ synergy” between the port and the satellite terminal creates a new type of maritime / land interface, which essentially results in a regionalized port (Rodrigue, n. d., para. 3). This type of operation is under the process of development at the Port of Baltimore. The rail company CSX, in hopes to attract more ships to the port, is considering a satellite facility 15 miles from the port. The rail line offers to deliver cheaper rates to shipping companies using the port and the devoted rail line.

Another area for older ports to focus on is modernization of the existing infrastructure. Besides the amount of containers the port handles, focus should shift to offering specialized facilities at the ports, securing an advantage over larger ports. An example of this at the Port of Philadelphia is warehousing. In 2011 Philadelphia completed a warehouse for storing refrigerated freight, the 686, 000-squarefoot building, the largest refrigerated building in North America. The idea was to link the world-class produce market with the premier perishables port in the United States. (O'Brien, 2013, para 17). Additionally, the ports looking to compete with larger ports must look at improving the infrastructure moving freight off the pier in an efficient and cost-competitive manner. The Port of Miami attacked this problem in three ways. First, they secured funding to improve rail lines serving the port, which included the rebuilding of rail bridges linking the port to the rail yard. There are plans to construct three tracks capable of holding

trains a half-mile long. Furthermore, the port invested in a new tunnel linking the port to the nearby interstate, while also upgrading surrounding roadways, offering the ability for trucks entering and leaving the port to bypass the congested downtown streets, the only other access to the port. The final piece of the project involved dredging the channel to a depth of 50 feet to accommodate Post-Panamax ships. With Miami's three-pronged attack — tunnel, rail, and dredging — the port claims it will be able to make inroads into some of the markets that Savannah now dominates (Whitefield, 2012, para. 33). Moreover, Baltimore requires a redesign of the rail system leaving the port. The only rail tunnel leaving the port is 130 years old, lacking in the proper diameter to handle the modern double stack trains or tri-level auto racks. Without railroad redesign in Baltimore, it's estimated that Maryland might even lose up to 50 percent of its container traffic to a port like Norfolk, Va. — the other East Coast port able to handle the larger ships — costing our region hundreds of jobs and tens of millions in economic activity and tax revenue (Sadowski, 2012, para. 8).

One last alternative for crowded ports to compete besides the previous mentioned options is entering strategic alliances with major shipping companies via a dedicated terminal. This alliance benefits both the ports and the maritime shipping company, this relationship requires a long-term agreement. For the shipping company it secures a port in a profitable location without having to compete with other shipping companies. As for the ports, the shipping company considers the port part of their supply chain, directing a majority of their ship to call upon the port even if there are ports closer or ports containing better facilities. For port authorities,

dedicated terminals encourage the development of port facilities allowing them to push for more funding; it is also a useful strategy if there is competition between port terminals (Lun, Lai, & Cheng, 2010, p. 182). The Port of Philadelphia remains proactive on attracting ships to their port; they have agents stationed across the world. Likewise, the Port of Baltimore in the late 1990's attempted to attract two major shipping companies by offering lower dock rates and upgrading facilities around the port. Unfortunately, for Baltimore the shipping companies rejected their offer. Although, this reinforces the lengths that port will go to attract a dedicated shipping company.

In conclusion, with the completion of the Panama Canal upgrades soon to be completed, the ports operating on the east coast now face a rush to prepare. The larger ports fare well in this situation, having the room for expansion and up to date infrastructure. The older ports in urban environments scramble to prepare a system to handle the increased demand. There are a few options to aid these ports, depending on the amount of funding available. Some ports like Baltimore are looking to move the sorting of containers to off-site location, depending on rail transportation to deliver the containers. On the other hand, some port authorities are improving the needed infrastructure to allow rapid movements of rail and trucks to and from the facility. Lastly, many ports are securing deals with shipping companies to lure them to make the older ports their main stops in America. This report discussed issues with east coast ports although these strategies are not limited to that area. They are easily applied to struggling ports across the globe.

References

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