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By Bill Mongelluzzo

'FRIENDING' SHIPPERS

Ports of Los Angeles and Long Beach urged to set up supply chain advisory board to promote efficiency

MARITIME INDUSTRY CONSULTANT Jon DeCesare is waiting for executives in Los Angeles and Long Beach to start using the words "cargo friendly" when describing the role of their ports in the transportation supply chain.

Like other landlord ports that don't get directly involved in cargo handling, the Southern California ports consider shipping lines and terminal operators their direct customers. The gap in this approach is that importers and exporters are the primary decision-makers for cargo routing, and many will move freight to other gateways if ports don't put shippers' interests first.

For example, shippers that oppose the Port of Los Angeles' lobbying efforts to regulate harbor trucking and open the door to unionization of drivers are already re-routing traffic to other ports, said DeCesare,

president of WCL Consulting. The ports of New York and New Jersey and Oakland have taken a similar approach.

But DeCesare detects a sea change in the port industry caused by the deep trade recession of the past 18 months. Ports are competing more fiercely than ever for freight, and the winners will be those that listen to and respond to the needs of cargo owners, he said.

In a report on how shippers select cargo gateways, DeCesare found the most important criteria to be reliability and predictability. "I was told by a representative of a big retailer that he won't get fired if the cost of moving his freight goes up \$100, but he will get fired if the freight is unexpectedly delayed," DeCesare said.

Savvy port executives today are building their business plans around the needs of shippers. In line with this, DeCesare urges the

California ports to establish a global supply chain advisory board to inform staff members and harbor commissioners what the ports can do to be more efficient and reliable.

DeCesare sees the ports as a key link between the private sector and decision-makers in the public sector, such as mayors, city councils and regulatory agencies. "It's the ports that lead the public agencies down the road," DeCesare said.

By establishing advisory boards, port authorities would become advocates for shipper needs. Too often, DeCesare said, elected officials in port cities look at the transportation community merely as a source of political donations rather than somewhere to turn for advice on supply chain issues.

It's no wonder elected officials have taken international transportation for granted. Major gateways in the containerization era have experienced steady and at times remarkable growth seemingly unaffected by the business cycles in the overall economy. But the global trade recession ended that as international trade suffered along with domestic business. In Los Angeles and Long Beach, the economic downturn

magnified existing problems such as cargo fees, the industry's strictest environmental regulations, burdensome processes and high land and labor costs.

The focus by importers and exporters on reducing transportation costs made Los Angeles and Long Beach especially vulnerable to cargo diversion. The chief executives at importing and exporting companies instructed their logistics managers to reduce their reliance on the Southern California gateway, DeCesare said. "If we don't listen to them, more cargo will be lost," he said.

The movement away from Southern California comes as the neighboring ports should be growing at the expense of other ports. For many retailers, time to market is a key driver in the supply chain. DeCesare said a high-volume importer can improve its bottom line by as much as \$100 million a year if the transit time from the factory in Asia to the store is reduced by one day.

A recent development in which shipping lines are slow-steaming to reduce fuel costs can work in favor of West Coast ports, which already have a five- to seven-day shorter transit time to destinations in the U.S. interior. While carriers are slow-steaming to both coasts, transit times through the Panama and Suez canals have grown even longer compared to West Coast services.

The mega-terminals and deep water ports in Southern California can accommodate the largest and most efficient ships in service. The region boasts 1.5 billion square feet of distribution space, the most extensive intermodal rail service in the world, the Alameda Corridor and the largest network of freeways anywhere. Los Angeles and Long Beach have budgeted a combined \$5 billion in infrastructure expansion over the coming decade.

"The ports have so much going for them, but it's the soft measures that are lacking," DeCesare said.

"The ports are not just landlords now. They're on the playing field," he said, noting port policies such as the Clean Air Action Plan have a direct impact on the cost and efficiency of freight movement.

He said ports and local regulators should

consult first with shippers on how a policy will affect goods movement before rolling out a new program, and should try to understand the broader supply chain decisions. The ports should ask basic questions such as, "What do shippers like and dislike about the San Pedro Bay ports? What factors do shippers use to select a port of entry and locate a warehouse? What are competitive ports doing to attract cargo from Southern California," he said.

The ports likely will discover that shippers prize soft measures such as easier processes and environmental policies that recognize accomplishments in reducing pollution and enhancing productivity, DeCesare said.

Port executives say they have always sought input from cargo interests, but mostly through direct contact with individual shippers or through forums on specific issues. For example, the ports recently sponsored a meeting for industry stakeholders on a proposed harborwide trucker appointment system, said Michael DiBernardo, director of marketing at the Port of Los Angeles.

Los Angeles would want to hear first from cargo interests to see if they support a formal supply chain advisory board, he said.

Bruce Wargo, president of PierPass, which was established by the terminal operators in Southern California to manage their extended gates program, said an effective advisory board would have to represent the transportation community without becoming unwieldy. "These are all good suggestions, but, historically, advisory boards haven't delivered too much," he said.

A hands-off policy, DeCesare maintains, will hurt landlord ports in an era when shippers are attempting to reduce costs wherever possible, and the more progressive ports are only too happy to help them.

"Shippers have many options which they're taking advantage of," he said. "Ports today are in the goods movement business. They have to have a cargo-friendly business plan." **joc**

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By Peter T. Leach

FRENCH CONNECTION

After weathering the economic storm, Le Havre looks to wrap up privatization amid rapid expansion

PORT PRIVATIZATION HASN'T been easy in France. Frequent strikes, coupled with the global recession, were the sort of one-two punch that could have knocked down many ports for years.

Through it all, however, the Port of Le Havre has pressed on, and by any standard had a comparatively strong 2009. The country's largest port — it handles some 60 percent of France's containerized imports and exports — saw traffic fall just 9 percent last year, not bad compared to losses of two to three times as much at some of its larger competitors to the north.

Like other French ports, Le Havre's terminals are being transferred from the state-owned port authority to private terminal operators and stevedoring companies. Private operators already have purchased