

By Peter T. Leach

EAST COAST SMACKDOWN

NY-NJ, Virginia vie for cargo that will be in play when Panama Canal completes expansion

THE PORTS OF New York-New Jersey and Virginia are squaring off now in a competition that won't be decided for five years.

At stake is the 40 to 50 percent of discretionary container cargo moving through Southern California ports that will be up for grabs when the Panama Canal completes its third set of locks, scheduled for 2014.

New York-New Jersey and Virginia believe they can attract that cargo, which currently moves via intermodal landbridge to the Midwest and East Coast, by investing billions in infrastructure to handle the 12,600-TEU ships the expanded canal will be able to accommodate.

Other East Coast ports, including Savannah, Charleston and Jacksonville also are investing in infrastructure aimed at attracting all-water services, but don't have the transportation links or proximity to the Midwest that would make them candidates for that cargo.

"With the expanded set of locks, the canal will be able to handle many of the larger vessels that are coming out of the shipyards today," said Paul Bingham, a trade economist with IHS Global Insight. "Those ships will go to the (East Coast) ports that have water draft and the air draft to handle them and where the markets are in the region or the hinterland."

Competition will grow more intense over the long term because West Coast ports won't have enough capacity.

"If we look beyond the next few years, rebounding trade volumes will outstrip any capacity additions that are possible at West Coast ports," Bingham told a seminar at the Weissman Center for International Business at Baruch College in New York this month.

"When the new locks open, it's going to get exciting," added William Rooney, Hanjin Shipping's managing director for North and South

America. He believes the immediate result will be 6,000- to 8,000-TEU ships from Asia calling at East Coast ports that are too large to use the canal today.

How much of Southern California's discretionary cargo moves to the East Coast depends on numerous variables, including the price of bunker, the West Coast labor situation, terminal productivity, West Coast infrastructure fees, truck programs and intermodal pricing.

"All those things worry the hell out of our customers," Rooney said.

He said the volume of discretionary cargo Hanjin unloaded at Southern California ports last year would have filled two more complete strings of vessels if it were carried to the East Coast.

New York-New Jersey and the Virginia Port Authority are investing billions of dollars in infrastructure projects designed to handle the growth of Asia cargo.

Both port authorities are investing in rail infrastructure that can carry cargo to the Midwest as quickly as intermodal delivery from West Coast ports.

In some ways, the Port of Virginia is ahead, although its local market is dwarfed by that of New York-New Jersey.

"Norfolk has some real advantages. It doesn't have a Bayonne Bridge, and it will have the Heartland Corridor," Rooney said, referring to the port's new, shorter and faster double-stack rail service to the Midwest that will open next year.

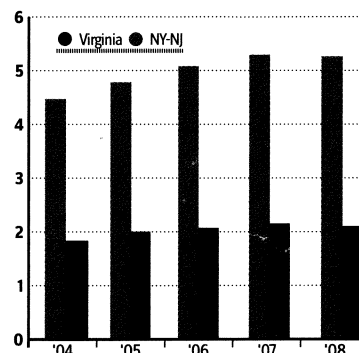
New York-New Jersey has spent \$2 billion over the last five years to deepen its harbor to 50 feet and build on-dock rail at most of the port's container terminals, and it plans to invest another \$1.7 billion to improve road and rail access.

But it is stuck with the obsolete Bayonne

NY-NJ VS. VIRGINIA

■ Container volume at the Port of New York and New Jersey has grown an average 3.5 percent a year since 2003, compared with 3 percent at the Port of Virginia.

Annual volume, in millions of TEUs



Sources: PIERS Global Intelligence Solutions, a Journal of Commerce sister company, www.piers.com; ports

Bridge, which is too low for ships bigger than 8,000 TEUs to pass under, denying them access to the four terminals that can handle them.

The Army Corps of Engineers in July will complete a cost-benefit analysis of alternatives to the existing span. The port authority will then review the options, which include raising the bridge, raising the roadbed within the bridge, replacing the bridge entirely or building a road tunnel under the channel and tearing the bridge down.

"Each of these options presents difficulties," said Richard Larrabee, the port authority's port commerce director. "I tell people, 'It's not if, but when.'"

The Virginia Port Authority, meanwhile, aims to pick off more of the roughly 20 percent of New York's total volume destined for outside its densely populated hinterland.

"We already have the deep water, the large cranes that can handle 26 boxes across, direct rail on our terminals, and we just doubled the capacity of our rail, which is designed to match up with the Heartland Corridor," said Joe Dorto, general manager and chief executive of Virginia International Terminals, which operates the port's state-owned container facilities. "New York's got plenty of cargo up there. They won't even miss the rail cargo." **JOC**

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