Still Ours to Lose

Last October, California State University, Long Beach (CSULB) and the METRANS Transportation Center hosted a Point/Counterpoint event called Panama Canal Expansion: The Battle for Jobs and Cargo, Who Wins? Who Loses? Who Decides?

Conventional wisdom says that an expanded canal that can accommodate larger ships will draw cargo traffic away from the West Coast, benefitting East Coast and Gulf Coast ports. One of the goals of the Point/Counterpoint was to challenge that conventional wisdom. And in fact, the discussion suggested that who wins and who loses depends upon a complex set of interactions involving any number of actors along the supply chain. These include ocean carriers, railroad companies, shippers and their agents.

It was also apparent that the list of questions doesn’t stop with who wins, who loses and who decides. We also have to explore where the goods end up, where they are produced and why. Concerns about the cost of doing business in China are already beginning to bring about shifts in production strategies for many companies with global supply chains. More often these days, companies are willing to engage in a China +1 strategy that reduces costs through diversification within Asia, making China the hub of a logistics network that may also include places like Vietnam or Thailand. Fuel costs and time factors make “nearshoring” in Latin America a viable alternative to Asia altogether.

More complex supply chains on the manufacturing side make for more complex supply chains period. But they also give shippers more options when choosing how to get goods to market, wherever those markets may be. If China +1 is the hallmark of today’s Asian supply chain, then on the domestic front it’s the four corners strategy. Shippers are increasingly willing to use whatever port makes most sense for a particular product destined for a particular market at a particular time. Sometimes it’s LA/Long Beach, and other times it’s Seattle, New York or Charleston. As a result, the battle is fought in terms of who has the cheapest routing (time and money), who has the best reliability, and where the infrastructure is available.

That means that, apart from shippers and their agents, ocean carriers, and rail and intermodal companies, important decisions about routing are also made by distribution center and warehouse
operators as well as federal, state and local
governments. And given the competitive nature of
ocean carriage and port operations, very small
changes in time and cost factors could have an
impact on supply chains in both the short term and
long term. Decisions made about any number of
issues including where and when to invest in
dredging, when to impose environmental
regulations, whether or not to provide Mexican
trucks access to the US, or who pays for the chassis
could help tip the scales in favor of one trade lane
versus another. And other factors could reverse
things just as quickly.

Recently, we’ve seen a number of new factors
thrown into the mix that weren’t even on the radar
screen when the October Point/Counter point was
held. Earlier this year, Cuba modified its foreign
private investment laws, paving the way for the
development of a terminal complex at Mariel to be
financed in part by the Brazilian government and
operated by Singapore-based PSA International.
Supporters envision a transshipment hub serving
both North and South America (a Cuba + 1
strategy?), assuming of course that geo-politics and
a U.S. trade embargo don’t get in the way. Not to
be outdone, in February China proposed a 137-mile
dry canal linking the east and west coasts of
Colombia as an alternative to the Panama Canal.

Less dramatic announcements can also change the
equation. In January, Jacksonville decided to delay
construction of a new Hanjin terminal, which could
benefit other southeast ports looking to take
advantage of increased traffic moving through an
expanded Canal. And negotiations between South
Carolina and Georgia, which at one point were
considering a joint project to improve channel
access to ports in both states, have broken down.
As a result, they are now competing not only with
each other but with ports across the country for
federal infrastructure dollars.

This only means that the debate over who wins,
who loses and who decides is ongoing. To revisit
the issues that were raised at the
Point/Counterpoint forum, the Center for
International Trade and Transportation at CSULB
is hosting a three-part lunch time webinar series
called Cargo and Jobs: Still Ours to Lose? The first
of these, held in late May, looked at how shippers
choose ports, focusing on what decision-makers
value. A June 3 session will ask if Southern
California is competitive based on recent industry
efforts to promote the advantages of the region as a
trade gateway. The last of the webinars to be held
on June 17 will look at the challenges ahead.
Given the nature of the industry, those will be
changing regularly too. For more information on
the webinar series, go to www.ccpe.csulb.edu/citt.