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Ports Taking the Lead



■ Trade and Transportation

By Thomas O'Brien

I had the opportunity to take part in two recent events looking at the ways in which stakeholders along the supply chain are working together to solve complex problems tied to the movement of goods throughout our region. One was the Town Hall sponsored by the Center for International Trade and Transportation at CSULB. It focused on “Partners in Innovation” and the factors that are driving cooperation and collaboration among and between groups that have not always worked in unison. The other was a regional roundtable for US Secretary of Commerce Penny Pritzker where local actors provided information to her about how the Ports of Los Angeles and Long Beach (and their partners) have worked together to improve supply chain efficiencies and optimize infrastructure.

In both cases, the Ports were central to the discussion and played a key role as convener of groups with varying and sometimes divergent interests. This hasn't always been the case. For years, both the Port of LA and Long Beach were criticized as being too comfortable in their role as landlords of individual terminal operators, hesitant to wade into discussions that were better left to the companies making decisions about day-to-day operations.

That's no longer the case. Ports throughout the US are being confronted by the challenges brought about by changing trends in global supply chains, trends that result in increased congestion both inside and outside of the terminal gates. In Seattle and Tacoma, the response has been to change the structure of port governance by forming the Northwest Seaport Alliance. The Alliance is designed to eliminate some of the inefficiencies of neighboring but competitive ports by merging the planning, marketing and some administrative functions while maintaining individual control of local assets.

Locally, the two ports have found a way to remain competitors while strategically finding ways to work together when it makes sense for both. The most recent example is the development of a Supply Chain Optimization Group involving all of the key players in the trade sector. The SCO Group has an eye toward regional competitiveness, looking at ways to optimize terminal operations in a way that benefits the supply chain as a whole. The question is why. The answer lies in the multiple objectives and pressures which confront port authorities as public agencies.

Ports are being faced with changes in container shipping: larger and larger vessels creating peak demands for land, equipment and labor. This results in an intensification of marine terminal activities. This also poses a challenge to port operators. As landlords, they have limited formal regulatory authority beyond the port area. But they also seek public legitimacy, and the public perceives them as having responsibility for activities beyond the waterfront.

This is in part a function of a more globally integrated supply chain. As supply chains become more integrated and more efficient in some segments, they place demands on other segments, especially in port complexes, that require operational changes, infrastructure and technology investments, and new business models.

And geography also drives port behavior. What happens on the terminal in terms of productivity and space utilization, affects what happens off the terminal in terms of truck queuing and congestion. As ships and terminals have gotten bigger, all of the services that support regional trade flows have become more dispersed. Higher “peaks” mean increased demand outside of the gates for road and rail infrastructure as well as for equipment storage and repositioning. Fluid port operations can only work if the goods have a place to go once they leave the gate. If the system breaks down and local communities see the impacts of increasing truck traffic, including bottlenecks, then it may encourage regulatory agencies to (re)act by attempting to control port operations along with operations at the other parts of the regional supply chain.

This is not a new challenge. Both the Ports of Los Angeles and Long Beach were forced to look outside their gates more than a decade ago when environmental pressures encouraged them to go beyond their traditional role as landlords. The result was the then ground-breaking joint environmental policy known as the Clean Air Action Plan.

This time the incentives to cooperate may be different, but that earlier experience has given them a base upon which to build. The stakes may also be higher. A dysfunctional regional supply chain is in no one's best interest since it can drive business elsewhere. It makes sense for two of the biggest players to take the lead in - all pun intended - steering the ship.

Dr. Thomas O'Brien is the Executive Director for the Center for International Trade and Transportation (www.ccpe.csulb.edu/citt) at CSULB and the Associate Director of Long Beach Programs for the METRANS Transportation Center (www.metrans.org). METRANS is a joint partnership of the University of Southern California and California State University, Long Beach.