

# Creating Short Sea Shipping Opportunities - The Customer's Role

Growth Opportunities for General Cargo and Shallow Draft Ports - November 14, 2006

Michael Symonanis

# Agenda

1. Introduction
2. Customer Requirements
3. Opportunities
4. Challenges
5. Conclusion

# Introduction and Scope



# Customer Requirements

# Supply Chain Design Drives Execution

“Whether your company is a supplier, manufacturer or retailer, the supply chains you participate in are increasing interdependent. No single company can succeed unless all supply chain participants operate as one seamless entity. In fact, the key to global business success today is all about strengthening the supply chain by working with the best ‘linking’ partners”.

Foster, Tom, “Secrets to Success”, *Global Logistics and Supply Chain Strategies*, July 2006.

Opportunities

# Opportunities

1. Challenges with Existing Transportation Options.
2. Growth in the U.S. Container on Barge Network.
3. Growth in Acceptance of Container on Barge.
4. Incremental Capacity for Peak Demand Periods.
5. Integration with Ocean Carriers.
6. Value Added Services from Port / Terminal Facilities.

# Opportunities: Challenges with Existing Options

- Increasing fuel costs.
- Primary network congestion concerns.
- Reduced lanes of service.
- Driver workforce reductions and shortages.
- Industry mergers and acquisitions within the supplier base.



# Opportunities: Growth in U.S. COB Network



# Opportunities: Growth in Acceptance of COB

- Widely used other parts of the world, the acceptance of container on barge services in the United States is increasing.
- In the Memphis area, there is a customer base now using these services consistently.
- Service providers and their shore partners need to leverage these use gains with other companies with similar supply chain needs.

# Opportunities: Incremental Capacity for Peak

- Original focus for many shippers from Memphis.
- Understand customer cargo flows: smooth, seasonal peak, other peak, etc.
- Understand customer capacity available to handle their cargo flows - a mismatch could equal an opportunity.

# Opportunities: Integration with Ocean Carriers

- Dedicated service offerings with selected ocean carrier partners.
- Match up with ocean carrier equipment flows and needs.
- Reduced dwell time at the U.S. transshipment location.
- Information visibility from end-to-end through IT connectivity.

# Opportunities: Valued Added Services

- Partner with port/marine facilities to offer shippers other services like warehousing, cargo transloading, bulk container stuffing, bagging operations, etc. that fulfill other supply chain needs.
- Bundled services can transform the container on barge - shore facility partnership from “one of many transportation options” to a must have Shipper transportation hub.
- Examples include BNSF Alliance and LPC intermodal hubs and Jacinto Port.

# Challenges

# Challenges

1. Gulf Coast Service Deployments
2. Inland Considerations
3. Customer Perspective
4. Facility User Fees
5. Foreign Gateway Options
6. Competition for Global Markets

# Challenges: Gulf Coast Service Deployments

Compared West Coast and East Coast offerings:

- Narrower range of ocean carrier options.
- Reduced geographic market scope and port coverage.
- Limited direct service offerings for the Far East.
- Smaller vessel capacity as carriers deploy their largest vessels in the highest volume lanes.
- Frequency of sailing, schedule integrity and longer transit times are also issues.



# Challenges: Inland Considerations

- Facility infrastructure: capacity, hours of operation, velocity.
- Cost: relative to other transportation mode options available.
- Transit Time: origin or destination to /from connection point (international vessel), relative to other transportation mode options available
- Ocean Carrier contractual obligations for empty container routing (network considerations).

# Challenges: Customer Perspective

Where is the customer coming from?

## Shipper

- Transactional
- Strategic

## Ocean Carrier

- Value Proposition
- Network

# Challenges:

## Facility User Fees

- With no national transportation infrastructure plan and budget, individual counties, cities and facilities are left to develop their own funding strategy for facility improvements and enhancements.
- While user fees have been in place for many years, the funding trends appear to be moving more in the direction of "Cargo Owner Pays".
- At some cost point, Shipper fees will drive future supply chain design decisions in alternative directions.

# Challenges:

## Foreign Gateway Options

- The drive for alternative gateways is increasing fueled by a number of factors already discussed.
  - First wave: East Coast all water and Reverse IPI (RIPI) vs. MLB.
  - Second wave: Gulf Coast services - direct and relay
  - Third wave: Canadian and Mexican ports
- The Lorenzo Cardenas / Kansas City Southern de Mexico service into the U.S. Southeast as an alternative to southern California.
- Canada gateway options for the U.S. Midwest as alternatives for the PNW and Northeast.

# Challenges:

## Competition for Global Markets

- The desire to build growth opportunities should not be viewed merely as a competition between domestic transportation modes and facilities.
- The United States is in a global competition for markets.
- As a nation, we are competing with other countries, their facility and transportation infrastructure and supply chains that utilize them to get products to customers around the world.

**Conclusion**