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# "Best Practices in Logistics Services in Port Area: North American Experience"

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## Introduction

Thank you, to the honorable leaders and organizers of the UN ESCAP, sponsors, and Distinguished country participants for inviting me to speak about "Best Practices in Logistics Services at Ports in North America."

Logistics services of transportation, warehousing, and distribution depend on adequate infrastructure. Currently, major North American seaports and airports are upgrading and expanding terminals, waterway depths to accommodate larger vessels, and intermodal connections for smoother hand-offs of containers by ship, rail and truck. All of the waterway, rail and land improvements at ports together with new technologies are creating exciting opportunities for old and new logistics service providers.

This presentation deals with four sea ports: Port of Oakland, California, Georgia Port Authority, Port of Portland, Oregon and Ports of Long Beach/Los Angeles, California with a closer look at logistics services. We will also take a look at how technology is enabling logistics service providers to share data along all points of the international supply chain from order to paid invoice so that increasing volumes of containers can be handled, easily, and securely. Our conclusion will briefly mention trends and opportunities in logistics services at ports in North America.

In 1994, the United States, Canada, and Mexico signed the North American Free Trade Agreement (NAFTA) in order to lower barriers to trade. In fact, according to U.S. Census data, the top three U. S. trading partners are Canada, Mexico, and Japan keeping all North American ports quite busy. More importantly, all of the top trading partners at the West Coast ports are Asian countries.

**Port of Oakland**

Port of Oakland represents only a fraction of total West Coast ports' international trade in containerized cargo of $260 billion. By 2020, it is estimated to double and top trading countries are in Asia. Oakland is a pioneer in adapting to shifts in trading patterns.

In the 1960's, the Port was the first on the West Coast to use containers and brought in gantry cranes and strategies for truck and rail distribution, which is now called intermodalism.

Currently, the Port's $1 billion "Vision 2000" projects are dredging to 50 feet to accommodate fifth and sixth generation 5,000 plus container ships, increasing terminal capacity with hundreds of acres of land taken over from old military bases, and opening of on-dock rail yards for shipments throughout North America, cold and dry storage facilities, warehouses, and the introduction of 12 new Chinese made super post Panamax cranes. All of these projects present direct and indirect business opportunities for logistics service providers to assist in handling over one million containers each year.

Logistics and intermodal services at the Port of Oakland are private and public operations for the whole international trading community. To give you an idea of the public entity aspect of the Port of Oakland, there is a 6 person commission, which includes a Port President, who are all appointed by the Mayor of Oakland city and receive no pay. There is also a paid Executive Director who works with the Port of Oakland commissioners in applying for funds and making decisions for the sea and airports in Oakland. The Bay Area World Trade Center (BAWTC) has

offices to assist in market research, business finance, strategic planning and regulatory advice among other resources. Some of these offices work in cooperation with the U.S. Department of Commerce offices to promote exports. There is the Oakland Foreign Trade Zone (FTZ) #56 created through federal law to help businesses alleviate the Customs and property tax burdens while adding value with simple product assembly, packaging and storage processes in nearby Customs facilities. The BAWTC administers these FTZ activities.

A privately held company (Pacific American Services) operates the General Purpose Zone (GPZ) which is a facility used by companies for light assembly, manufacturing, warehousing, and duty-free distribution. The privately held company is a third party distribution center owning and operating over one million square feet of distribution space in the area. The GPZ complex has warehousing, office and manufacturing spaces, computerized inventory control systems, United States Customs Bonded warehouse, transportation services, assembly and value added packaging, and commercial and industrial property leasing. There are also Subzones for individual manufacturers not able to use GPZs.

The Port's Maritime Division offers customer service solutions with a staff to answer questions about freight carriers, routing, transit times, distribution solving packages and advice on warehouses, container freight stations, transloading and has a Web site.

Port of Oakland shares the business in California's over $12 billion farm production as well as shipments in nearby General Motors-Toyota automobile joint venture (NUMMI), equipment and consumer manufacturers and Silicon Valley trades. Large and small private logistics service providers operate at the Port. Among those services are: customs brokers, freight forwarders, consolidators, examination and weight stations, cold storage facilities, trucking services, truck chassis depots, leasing, order picking, kitting and packing, documentation and stamping, rigging, crating, fumigation, and maintenance and repair of all gate and yard equipment such as chassis, cranes and containers.

Finally, in addition to the U.S. Customs offices and facilities nearby, there are other government agencies (OGAs) such as the United States Department of Agriculture, United States Foods and

Drug Administration and the United States Coast Guard. It is possible to develop more logistics services of cost effective distribution and warehousing for importers and manufacturers. The Port's modern transportation infrastructure improvements of road, rail and sea, supply of underdeveloped land, and huge available work force provide ample opportunities for businesses to start and to expand.

**Georgia Port Authority (GPA)**

In this section, I look at the Southeast Coast of North America to the Georgia Port Authority (G.P.A.) with an added dimension to sea, rail and road transportation of river barge logistics services. The Ports of Savannah and Brunswick along with the Inland Barge facilities are also upgrading and expanding to meet increasing container volumes that reached a record in 2001 of over one million twenty equivalent unit (TEUs) containers, or over 10 million tons, 3,100 interchange transactions per day at an annual growth in the double digits.

The Port of Savannah is a leader in international trade. In 1733 and in the early 1800s the Port was known as "King Cotton Port of the World" exporting total goods of $14 million. In 1960, Port of Brunswick began terminal operations with an export shipment of 325 tons of steel to Thailand. The G.P.A. acquired military depot and plantation acreage to expand sea, rail and road for container, break bulk and bulk cargoes which continues expanding to this day.

Logistics service providers meet international trader's needs with truck services for intermodal traffic on and off vessels and rail cars, and by storage facilities.

Railways offer on terminal rail and on dock service. In addition, railways have transit sheds and warehousing for alongside rail and truck capabilities, a 19,000 square foot truck platform to handle 36 trailers simultaneously with reefer outlets, cold storage and container stripping, stuffing and general cargoes.

Two notable logistics services available are for the automobile and agriculture trades at G.P.A. The first, a railway line at the Port of Brunswick is used to serve automobile processing in

exporting and importing around the world. The second, since 1957, G.P.A.s inland barge facilities served shippers with ton per mile savings by river transport of industrial and agriculture commodities to Georgia's ocean ports. Logistics services offered are for barge towing and tugs available 24 hours a day, terminals, equipment, transit warehousing and barge berths along the river with highway and rail connections.

The United Nations' report on logistics in 1967 is as true now as it was then, "the rapidly expanding volumes and velocity of trade has challenged the capacity of man to handle his business with greater economy and dispatch...seaborne trade has grown steadily...the ingenuity of man has met and is resolving the problems..."

**Port of Portland, Oregon**

I have recently, reported about and visited the Columbia-Snake River Container Barge System of the Port of Portland, Oregon in Northwest North America. There are 36 ports on the river system with road, rail, and air intermodal links. It is the second largest river system in the United States after the Mississippi River and the first to have regular container service with increasing volumes of mostly, agriculture products from neighboring states going to Pacific Rim countries. I saw a number of major U.S. and foreign companies with logistics service operations for distribution, warehousing and automobile processing set up in an industrial district near Terminal 6 which is the focal point for river to sea handovers.

Warehouse space over the industrial area's 2,800 acres is available for lease or built to suit by private developers. There are also three privately owned barge operating companies that ply the river system, a FTZ and an Enterprise Zone. The Port is willing to share best practices and I could assist any of today's participants in arranging meetings or information.

**Port of Long Beach and Port of Los Angeles**

Lastly, Port of Long Beach and nearby Port of Los Angeles in Southern California are upgrading and expanding to enable logistics service providers to meet quick container turnaround time requirements for manufacturing production lines and to fill retailer's shelves in stores. A new $2

billion Alemeda Corridor, a 20-mile railroad connection from downtown Los Angeles to the seaports is used to lessen truck traffic on congested highways and ease environmental problems. Tugboats, barge, crane, bunkering, chemical labs, FTZ #50, oil spill clean up, stevedoring companies all provide service to the Port's general cargo, containerized, dry bulk, liquid bulk and automobile import and export processing. The Ports handled well over 6 million containers last year and compete for container traffic with other West Coast ports.

**Information Technology**

Logistics service businesses are adapting to larger volumes of trade by using technology's processing and visibility powers through the Internet by EDI and XML, and shipping track and trace applications as well as and various wireless devices. All major ocean carriers and logistics companies are building their own software solutions and some are using solutions from logistics software providers. Transportation, warehousing and distribution challenges of fast throughputs at the gate, in the yard,and on and off the vessels as well as order and accounting transactions are met by established software and technology companies with proven solutions. Georgia Port Authority, for example, could not operate it's 3 1/2 vessel calls a day, 3,500 truck moves a day,over 1,000 on/off railcars on their on dock rail facilities without the use of it's third party software container management and control system (from Navis LLC). Last week, I published a report on seaport development and new technologies such as container yard position detection systems, optical character recognition and gamma ray technologies, to name a few that are used at ports for fast and secure operations.

Overall, the competing and cooperating information technology solutions from ports, air and ocean carriers, logistics service providers, third party software packages and customs officials aim to provide shippers with access to information for more efficient and cost effective business from order to payments, electronically.

**Trends and opportunities for third party logistics providers (3PL)**

Value added service providers in international trade are expanding their offerings to meet the cost reduction and service improvements demanded and increasingly outsourced by large and small manufacturers and retailers. These outsourcing arrangements by manufacturers and retailers are accomplished by contract logistics and supply chain management with logistics providers (3PLs). Three PLs offer vendor managed inventory (VMI) and supplier managed inventory (SMI) services by using facilities and technologies near ports. Major ocean carriers are competing with 3PLs with similar offerings near ports to win customers. As a result of outsourcing of warehousing, distribution and transportation functions and their associated product, financial, and information data flows by companies, there is a consolidation in the industry by the top third party logistics providers (3PLs). Major 3PLs are consolidating to offer customers services on a global scale and are acquiring local operations in various countries. The larger logistics providers and carriers in order to cut their own costs of labor in data processing are setting up customer service operations outside of the U.S. in Asia, for example (by American President Lines, APL)

To conclude, opportunities at the port area in North America are for those companies that combine conventional logistics service offerings with the ability to solve business process challenges of speed, efficiency and security of containerized cargo using rapidly advancing technologies found in computer applications and telecommunications.

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