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State stands to gain from expanded Panama Canal

Premium content from Dallas Business Journal by Matt Joyce, Staff Writer

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When the expanded Panama Canal opens in 2014, megaships sailing to and from Asia will have new access to Gulf Coast ports, and their wake could ripple to North Texas in the form of increased shipping and distribution activity.

The **Texas Department of Transportation** recently formed a work group of business and government interests to study the potential effects of the new canal, which will have 75 percent greater annual capacity when the \$5.25 billion expansion is complete.

The expanded canal won't necessarily replace the route that most Asian freight makes to Dallas-Fort Worth via Southern California ports and railroad, but the new option could alter some shipments and will generally bolster Texas' role as a distribution hub, some logistics experts say.

[Steve Boecking](#), Hillwood Properties vice president and manager of the Foreign Trade Zone at Alliance Global Logistics Hub, is a member of the Transportation Department's new Panama Canal Stakeholder Working Group.

"We see that there will be, not a huge change, but a slight change in the transportation patterns for products being imported into Texas and exported out of Texas," Boecking said. "It's important to our customers, who are largely importers and exporters, that the transportation infrastructure is up to date."

The state formed the work group to assess port, road and rail infrastructure needs that the new canal might affect.

A study last year by Massachusetts-based Cambridge Systematics Inc. for the Transportation Department found that trade between Asia and Gulf Coast ports could expand.

The study noted that capacity at West Coast ports — the traditional entry for Asian freight — is projected to increase by less than 4 million 20-foot equivalent units (a measurement based on the cargo capacity of a container) in the next five years. Asian ports are expected to add 40 million TEUs in the same time period.

West Coast ports are “expected to really take the brunt of the increase, but they feel like they’ll be limited to what they can receive, so that’s why they feel the Texas ports will see some of that impact,” said Mark Cross, a Transportation Department spokesman.

There’s debate in the logistics world over whether shippers will choose longer ocean shipments via the expanded Panama Canal to the Gulf Coast or East Coast, or whether they’ll stick with the system of moving goods inland from West Coast ports by train.

[Don Orr](#), president of Waco-based Central Freight Lines Inc., has made two trips to Panama in the past six months to develop business associated with the new canal. He said he’s been talking to container brokers about transferring containers from big ships to smaller, faster ships to accelerate delivery to the Port of Houston.

“We see it as a big opportunity for Houston, as being the closest deepwater port to the Panama Canal,” Orr said, with Dallas-Fort Worth also standing to benefit.

“Having a distribution center or having a property and warehouses is going to be more cost effective in Texas than it’s going to be in California,” he said.

[Terry Pohlen](#), director of the Center for Logistics Education and Research at the **University of North Texas**, said he doesn’t expect to see much impact from the expanded canal in the Dallas-Fort Worth market. Very little freight that comes into Houston is transferred to North Texas, he said.

“Only those items that benefit from low-cost ocean freight and can tolerate an extra week to 10 days of transit through the canal will experience a shift from the West to East coasts,” Pohlen said.

Asian freight already accounts for about 80 percent of the activity at the BNSF Railway Co. Alliance Intermodal Facility in Fort Worth, said Boecking, of Hillwood.

“A lot of the changes in diversification has already happened, but I do think there’s room for more,” Boecking said. “It means more economic development for the region, because if you have more options to bring product in, then that makes it more efficient and less expensive, and therefore more companies will decide to put their distribution centers here in the Metroplex.”

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