



August 20, 2012

Panama Canal's Growth Prompts U.S. Ports to Expand

By JOHN SCHWARTZ

BALTIMORE — The four cranes rise grandly over the port here, 14 stories high. Just off the boat from China and now being prepared for operations, the \$40 million machines are part of this city's gamble that when supersize container ships start coming through the expanded Panama Canal in 2015, Baltimore will be one of the few ports on the East Coast ready for their business.

"We think it's going to be a major win for us," said James J. White, the executive director of the Maryland Port Administration.

This sense that the new set of locks now being built to allow giant ships through the canal will bring riches 1,000 miles or more to the north is shared by industry and government officials along the East Coast and the Gulf of Mexico, who have been promoting multimillion- — and in some cases multibillion- — dollar port projects for years. The Obama administration has now moved to speed up the review process for developing and deepening the harbors for several of these ports, including those of New York and New Jersey; Charleston, S.C.; Savannah, Ga.; Jacksonville, Fla.; and Miami. The initiative "will help drive job growth and strengthen the economy," President Obama said in announcing it last month.

But some who are following the efforts have begun to express skepticism about the hope and money going into dredging mud and raising steel. With so many ports competing for a share of the bounty, experts are questioning how big that bounty will be. "Everybody is trying to go after it — there are going to be few beneficiaries, in my judgment," said William D. Ankner, a former official of the [Port Authority of New York and New Jersey](#) and a former secretary of transportation for Louisiana.

The big ships — known as "Post-Panamax" and even "Super-Post-Panamax" — heavy use worldwide, making up 16 percent of the container fleet but accounting for 30 percent of its capacity, [according to a July report](#) by the Army Corps of Engineers. And they are projected to grow significantly over the next 20 years," said Maj. Gen. Michael M. ... deputy commanding general for civil and emergency operations for the corps, ...



OPEN

MORE IN U.S.

**The Real
Toll, Sign
Conflic**

[Read More](#)

report.

In the race that began when plans for the expansion were first announced in 2006, some winners have already emerged. The Port of Virginia, in Norfolk, is ready to receive the big ships today. And New York is also prepared, thanks to [a massive dredging project](#) that began 13 years ago.

But nearly every port in the game still faces major challenges and expenses — including the Port Authority of New York and New Jersey, which plans to spend \$1 billion to raise the Bayonne Bridge roadway by 64 feet to allow the giant ships through on their way to Newark and Elizabeth, N.J.

Baltimore, which already has a 50-foot channel, has a bottleneck on the land side: the Howard Street tunnel, through which trains have to pass to reach the port, and which is too small to accommodate the double-stacked container cars that are increasingly the standard for rail shipping. The rail line CSX has announced a workaround that could cost hundreds of millions, involving a new yard beyond the tunnel filled with containers brought by truck; the port will load the trains with a single container to get through the tunnel, and the trains can be completed at the yard.

Miami is putting \$2 billion into improvements to its port; its dredging project was approved by the Army Corps of Engineers in April, and the city is building a tunnel costing an estimated \$1 billion to create a crucial link between the port and the Interstate System of highways.

Savannah is preparing to move forward with a \$652 million deepening project, while the South Carolina Legislature has [committed \\$300 million](#) to dredging for Charleston. A plan for the two cities to team up on a common port has all but stalled.

The big ships will also come via places beyond Panama: many are expected to come from Southeast Asia through the Suez Canal, and from South America's eastern ports.

But more fundamental questions have been raised about the real benefits of the coming trade, and especially the effects of the new canal traffic.

Moving goods by water is generally cheaper than moving them by land because of the economies of scale of moving so many containers on those big ships, said John Martin, a ports consultant in Lancaster, Pa. So that would suggest canal routes will offer lower-cost shipping to the East Coast and Midwest through the canal.

But, he said, containers loaded on the West Coast, which has built up its container yards and highway and rail infrastructure, can outrun those that travel to the East Coast by water, and

that can make the difference when speed and dependability are more important than cost alone. Besides, he added, costs and fees can shift; Panama can be expected to raise rates for canal passage, and “the railroads are not going to sit idly by” and let the water route undercut their business.

Scudder Smith, a consultant with the engineering consulting firm Parsons Brinkerhoff, said that a water passage, “all things being equal, will cause cost reductions — but all things are not equal,” he added, and so “I’m not at all confident in any numbers.”

That could be why J. Christopher Lytle, executive director of the Port of Long Beach, does not sound a bit worried. “There’s just not going to be a huge movement of cargo from the West Coast to the East Coast,” he said.

His port, and its counterpart in Los Angeles, are already dealing with some of the biggest vessels on the water, capable of carrying the equivalent of 13,000 container units — vessels too big to pass through the new Panama Canal locks.

After talking up port projects in ways that sound a bit like the overblown economic predictions about new stadiums and convention centers in recent years, some officials are now scaling back their claims. After [Hurricane Katrina](#), Gov. Haley Barbour of Mississippi trumpeted plans for a “port of the future” at Gulfport with a 50-foot-deep channel, [redirecting some \\$600 million in federal housing disaster funds](#) on a project he pledged would spur the economy and create bountiful jobs. A state [official at the time called it](#) “the single largest economic-development project in the state’s history,” and officials predicted that it would surpass the Port of Los Angeles.

Today, Mississippi and the port are being more modest. The port recently noted that it is not pursuing the announced plans to dredge the channel to 50 feet, and because of lapsed maintenance, the channel does not even reach the depth of 36 feet authorized by law. The port is now focused on improving what it has instead of expanding greatly, and plans focus more on the cascade effect as smaller ships are crowded out of the major ports by the new superships.

Local critics of the original plan like Reilly Morse, policy director of Mississippi Center for Justice, said the state had been swept up in a national fad “that promised far more economic benefits than it could deliver and risked far greater burdens on the host community than it could support.”

Other ports try not to overstate their goals. Mark Montgomery, the chief executive of Ports America Chesapeake, the private partner with the state of Maryland in Baltimore’s project, said that his port and supporters understand that they are not likely to defeat the megaports of the

West Coast, or even New York and Norfolk. Instead, he said, his port will serve Baltimore, Washington and Northern Virginia — though he also sees it as a potential gateway to the Midwest. “Our expectations are right-sized,” he said.

To Robert Puentes, a transportation expert at the Brookings Institution, the problem of whether the ports are overbuilding for a Panama payoff is one of planning. “We are the only industrialized country on the planet that doesn’t have a comprehensive freight policy,” he said. As for port development, he said, “I can’t see the federal government picking winners and losers” in such a politically charged environment, but “they could provide a little more guidance — where right now they are providing none.”