



## 2017 ANNUAL REVIEW & OUTLOOK

NATIONAL PORTS & WATERWAYS INITIATIVE, UNIVERSITY OF NEW ORLEANS

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### US Port Capacity

**Trade Forecast.** The United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization expect the world's seaborne trade to remain at around 2% annual growth rate for the near future. This low growth, better defined as stagnation, will likely include the US, traditionally a faster grower, following the push by the Trump administration for repatriation of production and, especially, restrictions on free trade. The stagnation in trade will further the restructuring process in the shipping industry, increasing market concentration, with alliancing giving way to full M&A. The concentration, and related agglomeration of traffic, will provide for further construction of larger ships of 20k-TEU capacity, some of which, eventually, will be deployed on Asia-US routes.

**Market Share.** It is reasonable to assume that the stagnation in overall trade also will be followed by stabilization in shipping lines' service patterns, once the jolt of the Panama Canal expansion is fully absorbed. My guess is that the Canal expansion will not significantly impact the West Coast-East Coast allocation of the Asia-US imports, remaining at 70-30. Its main impact will be to reverse the Panama-Suez allocation in the Asia-US East Coast from 40-60 to 60-40. I also do not foresee big shifts in ports' market shares within each coast.

**Port Development.** Facing stagnation in trade, US ports will have difficulties justifying the huge investments required to expand their infrastructure and, especially, construct new terminals. Claiming a need to accommodate larger-ship will not hold sway since the 20k-TEU ships can definitely be operated partially-loaded, as already practiced worldwide. Claiming a need to capture market share also will not win support in light of the expected stability in market share. In any event, constructing new terminals will become cost prohibitive in the era of dwindling public money due to Trump administration's reliance on private financing for infrastructure.

Additional port capacity can be created at a much lower cost from existing port infrastructure: consolidating smaller terminals to achieve scale economies, adding shore cranes to increase berth productivity, deploying higher yard cranes to increase storage capacity, automating equipment and gate processing to increase working hours, and enhancing road and rail connectivity to ease landside congestion. These measures could increase the capacity of existing infrastructure by at least 30%, or the equivalent of almost 15 years of growth at 2% per annum. Hence, US ports should shift their attention from providing additional infrastructure to increasing the productivity of the existing one.

