

HUNGER GAMES

The Port of Oakland is focusing on improving reliability and building infrastructure to feed its need for reefer volumes

THE PORT OF Oakland is one of the busiest reefer ports in the country. That it's close to California's Central Valley growing area and the last port of call for a number of carriers before vessels head back to Asia are two of the main reasons for its reefer growth.

In recent years, however, some of the luster has rubbed off the port's reputation with agriculture shippers. Congestion and delays at the port translate into higher trucking costs, and political and labor unrest has resulted in sporadic port shutdowns. That uncertainty isn't popular with people shipping high-value perishable commodities that have a short shelf life.

Chris Lytle, the port's new executive director, says ensuring reliability for reefer cargoes is a top priority. "Reefer cargo is high value, and cargo that is very sensitive to disruptions and delays," he said. "I have had a number of conversations with customers and others about how to prevent disruptions for all cargo, but especially reefer cargo."

One of Lytle's first acts after arriving at the port in July was to create a truck efficiency group composed of representatives from labor, the port, ocean carriers, railroads, trucking companies and truck drivers. The group meets regularly to address problems, he said.

He also has lobbied Oakland's mayor and police chief, asking that political protests no longer be allowed to shut down

port operations. "Having the police chief and the mayor onboard is the most optimal way to make sure the port stays safe and operating," he said.

Keeping agriculture shippers happy is a big factor in the future success of the port, Lytle said. "I'd like to see reefer traffic jump 10 percent or more. It's such a great niche," he said. "It pays the lines well. When you look at markets overseas, this is where customers want the carriers to be. We are a last port of call and that is important for high-value cargo."

Beyond the immediate steps to restore reliable operations, infrastructure improvements are vital to a growing reefer trade, Lytle said. "We have an advantage here that no other port has," he said. "We have hundreds of acres to develop."

The land comprising the Oakland Army Base, a former military supply depot, was signed over to the port and the city of Oakland in phases between 2006 and 2009. The city-owned portion, which will be used for port operations, is finally under construction and will house a new railyard big enough to allow unit trains to operate. Port-owned property is available for development as warehouse facilities, including cold storage.

Lytle makes it clear it isn't a strategy of "build it and they will come."

"We already have interest from cold-chain companies that want to build a facility. But we'll let demand tell us how fast to go. The important thing is that whatever the demands are, we have the space to meet the need."

He said the port wants to build a state-of-the-art facility, something he said involves "more than just technology."

To help design a plan favored by carriers, Lytle brought an industry heavyweight on board as a consultant. John Bowe, former president of the Americas for APL, is serving as special assistant to Lytle.

Bowe's advice can be boiled down simply: Build what the customers want. It's kind of interesting, but throughout my career, the issue of secondary infrastructure such as reefer plugs has been more important to the shippers themselves, and because of that it becomes important to the carriers," he said. "When customers say (they) want to route through a specific port, carriers listen. Every so often, carriers take the lead, but usually it's the customers that determine the prominent ports. Prince Rupert is a good example: It was customers that drove carriers to call there."

Ports need to have facilities that appeal to customers, both importers and exporters, and then work with the carriers, Bowe said.

Attracting more reefer cargo is important to ports and carriers because it's generally more profitable, Bowe said. "On the export side, the margin on most dry freight is very, very low, but that is much less true for reefer cargoes. Ports and carriers taking a long view know that reefer cargoes are going to have a higher margin."

Building the infrastructure needed for reefer cargoes isn't a cheap or easy process. "In California, gen-sets on the terminal are a nonstarter," said Tom Ward, chief engineer for terminal operator Ports America. "Most other places now require boxes to be plugged in as well."

Adding reefer plugs to an existing terminal takes six to eight months and costs about \$8,000 per reefer box slot, Ward said. "Most terminals want to stack reefers, and in California, reefer racks are considered occupied structures," he said. Because of that designation, the planning and permitting process with local governments is longer and more complicated.

In addition to providing enough electrical power to the spots where racks are built, ports and terminal operators need to

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ensure the reefer racks have proper foundations and meet earthquake standards.

Getting power to the correct spot isn't as easy as plugging in a refrigerator at home, Ward said. "First, you need to determine if there is a utility substation close by; whether it has the capacity for expansion; and, finally, you need to run the power underground from the substation to the racks."

But Ward said modern terminal design is about more than sheer capacity. "Oakland is one port that has trouble with truck traffic and congestion. There are things we can design to help that."

One quick fix that speeds up truck operations through the port involves adding a wireless computer modem to refrigerated containers.

"Without the modem, it can be a lengthy process for a truck driver delivering a reefer," Ward said. "With it, when a truck hits terminal property, the modem automatically transmits the information on what's in the box and the assigned reefer plug sets a program to the right temperature and other conditions."

Having so many things preset can result in drayage trucks moving through the terminal much more quickly, he said. "It's a modest cost, but if carriers add the modems to the boxes, the terminal's truckers can do many more turns in a shift. It reduces congestion at the gates and cuts time and costs."

He said the Ports America terminal

at Oakland as well as those in Southern California have been wired for the turnkey operating system. "It's an increase in the level of sophistication of how we handle reefer cargo; it keeps the truckers and the shippers happy. It speeds the truckers through the system, and it allows the ship-

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pers to immediately check on the cargo from any location."

Lytle and Bove say one topic getting a lot of study at the port is deciding what else customers want and need.

One potential customer looks at the same topic. "As a company, we spend a lot of time deciding which ports we want to operate in and partner with," said Kevin Marchetti, managing partner with Bay Grove Capital, which owns cold-chain company Lineage Logistics. "It is about finding the ideal symbiotic relationship that benefits all constituents from the port to the customers."

Lineage, which has concentrated its

warehouse investments near major seaports, sees infrastructure as a critical factor but also looks at growth prospects, location, costs and shipping lines, Marchetti said.

"From a shipper's perspective, in the last two years, inland transportation costs have become more important than ocean freight in defining the attractiveness of a port," added Diogo Lobo, logistics president for Lineage.

Before joining Lineage this summer, Lobo was head of international logistics for JBS, the world's largest protein company. "Today, inland costs dictate where and how to route cargo to an ocean port," he said. Inland ports can reduce overall reefer logistics costs by being located closer to farm production, he added.

Lobo's vision of an ideal network is one that collects cargo at a central point and sends it to a seaport on a just-in-time basis. With such a system, ports and carriers wouldn't have to worry about as much extra capacity on the docks, and shippers could eliminate some drayage and extra handling expenses if reefers were delivered right to a vessel.

"This trend is the reverse of transload, and it could add a lot of efficiency to the supply chain," Lobo said. "If a seaport has a partnership or good rail connections to a dry port, they will win. That's the future." **cc**

Contact Stephanie Nall at stephannalljoc@gmail.com.