

Deep Water Port *notes*

The News Portfolio of The Connecticut Deep Water Port Community

New London . New Haven . Bridgeport

More on Moving Containers on Barges in Long Island Sound

By Donald B. Frost

Last September I wrote a long paper for the Connecticut Maritime Association's Newsletter listing and explaining the "impediments" to creating a feeder service to move containers between the Port of New York – New Jersey and Connecticut, using tugs and barges. Since then I ran across another, perhaps more fundamental, theory for why this service, discussed for decades, has not become reality.

The approach to pricing (setting rates) in container (liner) shipping is different from tramp shipping (bulk and even break bulk). Buyers of consumer goods tend to respond first to delivery time, then quality of the product, how it will be seen by others, and price. Buyers of raw materials, commodities and break bulk or neo-bulk materials tend to look at price first, then the quality of the product, delivery time and reliability of the seller. Actually, this point was introduced at CMA's Shipping 1990.

The session was titled "The Partnership Between Shipper and Shipowner." The moderator was the Executive Director of Shippers for Competitive Ocean Transport. Panelists included the VP Foreign Traffic & Distribution, of May Department Stores (now Macy's); Manager Sales & Service Traffic Systems of Champion International Corp.; Manager of International Transportation and Distribution Planning for Olin International; and the Managing Director of the Transpacific Westbound Rate Agreement.

Their conclusions were surprising to many of us who fight for every nickel of freight. The "retail" transportation buyer did not need the absolutely lowest freight, although rates had to be competitive with rates quoted to their peers. They can adjust their selling prices at point of sale to remain competitive there. They valued services from the carrier such as tracking shipments, timeliness of deliveries and good communication between carrier and shipper more than the last penny in freight.

Retailing aims to sell to the end user while wholesaling focuses on economies of scale of the sale. Each balances pricing against the customer's package of needs and preferences. Retailers and their customers value things such as immediacy of delivery, fashion, convenience, and ease of completing the sale transaction. Wholesale customers seek to resell the commodity, product or service to a large number of, often disparate, customers many of whom they do not deal with directly. Without any, or



ATB Freeport, outbound Thames River New London, after delivery of styrene to Dow Chemical. Photo by Connecticut Marine Pilot Captain Charlie Jonas

very few ways to differentiate what they are selling from the offerings of competitors, they are exceedingly price sensitive.

Of the many studies that have been done on America's Marine Highways the one funded by the I-95 Coalition stands out as exceptionally thorough. However, as I recall, the members and funders of the study (the list of coalition members is not on the Coalition's website) are mostly large-scale resellers who are dependent on low priced transportation for the products they sell.

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Member News CMC Member Gateway Terminal to Operate State Pier, New London

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The figures quoted in September for the contents of the sea containers transiting I-95 estimated that 40% were articles or sub-assemblies meant for a manufacturing process or final manufacture at their destinations. The balance (60%) is likely to be consumer goods destined for direct sale to consumers by retail outlets.

If more than half the potential cargo is controlled by those who sell retail and are less sensitive to freight and more concerned about their cargoes traveling time from an ocean vessel, onto a slow moving barge that will stop at two or three or more ocean terminals in the Port of NY-NJ on its way to Connecticut, after which they will travel by highway to consumers, why are we surprised that such shippers are reluctant to sign contracts to move their cargo via LI Sound. If things go wrong and the cargo either becomes unsaleable or only at deep discounts, why should we question the status of the Marine Highway in Long Island Sound?

Locally, in 2002 Connecticut's Transportation Strategy Board called for updates to the State's 20-year strategic plan for transportation in south western Connecticut by 2006. That plan included five broad strategies and five "projects". It appears none of the strategies have been acted

upon. Of the five "projects" only the purchase of more commuter rail cars (a top priority) has been done. A second "project" included "create a container barge feeder service from Port Elizabeth to a Connecticut port or ports." Their study favored discharge in Bridgeport while separately the Port Authority of NY-NJ concluded New Haven's easy access to I-91 and population into central Massachusetts, would increase the feeder traffic range and volume.

Nothing came from any of the studies. Could it be that their goal of reducing highway traffic ran counter to the goals of both classes of shippers?

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Stephen Tyliszczak, 203-382-9571, stevet@bldsteelpointe.com

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Connecticut Maritime Association, Inc.

Donald Frost, 203-406-0106, dbfrost@optonline.net

Connecticut State Pilots

Capt. Charles Jonas, 516-319-5069, cjonas@optonline.net

DRVN Enterprises Inc.

Steve Farrelly, 860-989-8081, drvn39@yahoo.com

Empire Fisheries, LLC

Joseph Gilbert, 203-876-8923, hiddenemp@aol.com

Gateway Terminal

Tom Dubno, 203-467-1997, tdubno@gatewayt.com

GZA GeoEnvironmental, Inc.

Dan Kinard, 860-286-8900, dan.kinard@gza.com

Logistec (USA) Inc.

Frank Vannelli, 860-444-9468, fvannell@logistec.com

MOHAWK Northeast Inc.

Mike Heinke, 860-445-7401, MHeinke@mohawknortheast.com

New England Shipping Company, Inc.

David Pohorylo, 203-467-2423, dpohorylo@newenglandshipping.com

New Haven Port Authority

Judi Sheffele, Ex.Dir., 203-946-6778, JSheffe@newhavenct.net

New Haven Terminal

Michael Vasaturo, 203-468-0805, vpusec@aol.com

Port Security Services

Ralph Gogliettino, 800-762-9147, Ralph@portsecurity.us

RACE Coastal Engineering

Devin Santa 203.337.0663 devin@racecoastal.com

Santa Energy Corporation

Thomas Santa, 203-362-3332, SantaT@santaenergy.com

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