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New port in B.C. may pose threat

But timing of its debut isn't ideal

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Up north in the B.C. Prince Rupert Port Authority, a new business model is blooming. Rather than sending goods through where people are, shipping companies allied with Beijing-based COSCO are shipping containers through where people aren't to cut down on congestion and community kickback.

It's a promising prospect for many shippers, who nonetheless are, by and large, taking a wait-and-see approach. The $170 million Prince Rupert terminal is the first phase of a multipronged development that aims to take the rural port to a capacity of 2 million TEUs, or 20-foot-equivalent units, the standard measure for containerized trade volumes.

But the port's timing has been poor. Its container terminal, run by Maher Terminals, which also operates terminals at New Jersey's Port of Elizabeth, can handle up to 500,000 TEUs per year. But since COSCO began its first weekly call at Prince Rupert in November, it and its partners have brought about 43,000 TEUs through the fledgling port, far short of projections. COSCO quit the Port of Seattle's Terminal 18 but still calls at Terminal 46.

COSCO has increased its freight through Prince Rupert -- from about 1,100 TEUs per week to about 1,900 TEUs per week, according to Prince Rupert Port Authority Chief Executive Don Krusel, who said the answer as to whether they could operate as advertised "is a resounding yes."

"Obviously, because we are a new port that had never handled containers before, the entire logistics chain had been untested," Krusel said, noting that the port had believed that it would reach its capacity within two years.But the port opened as the U.S. economy was softening, and the results have been less of a splash than originally envisioned -- which doesn't detract from the port's long-term implications for its southern competitors.

In Seattle on Wednesday, University of Washington assistant professor Anne Goodchild said that although Prince Rupert is indeed closer to Asia than any other North American port, that may not prove to be that advantageous because of the shipping companies' West Coast trade routes and the reliance on rail, one mode of transport from the port to market.

Prince Rupert's rural location reduces congestion, but it also provides shippers with few other incentives.

Now that the explosion of goods from Asia has hit the brakes owing to the U.S. economic slowdown, West Coast ports may be scrapping for bits of trade's largesse.

Port of Seattle Chief Executive Tay Yoshitani has said the Seattle seaport's decline of years past, after a 40 percent volume increase during 2004 and 2005, will continue through 2007 to reflect the 5 percent to 7 percent expected slowdown in growth.

Discretionary cargo -- which forms the bulk of containerized goods flowing through the Puget Sound ports -- is loaded onto rail cars heading to the American heartland rather than being distributed locally, making the point of entry flexible -- hence discretionary, for the shippers.

All that competition means that Seattle's port prices need to remain competitive, Goodchild said.

Port of Seattle Seaport Managing Director Charlie Sheldon said the port considers Prince Rupert a major threat.

"If cargo keeps growing at 10 percent a year, then you can all live with the fantasy that a rising tide lifts all boats," Sheldon said. "But cargo is down ... so that means that a rising tide does not raise all boats."

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