TECHNICAL SUMMARY

Identification of NAFTA-Induced Opportunities for Louisiana's Ports and Waterways

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INTRODUCTION

The implementation of the North American Free Trade Agreement (NAFTA) on January 1, 1994 created a trading region that extends from the Yucatan Peninsula in Mexico to the Yukon region of Alaska. Trade between the United States, Canada, and Mexico totaled $341 billion by the end of the first year of the agreement. From 1993 to 1994 Louisiana's exports to Mexico grew by over 50 percent to $753 million to rank tenth among all U.S. states in exports to Mexico by the end of 1994.

NAFTA-induced restructuring for north-south movements of cargo is already contributing to meaningful expansion of the levels of trade between Louisiana and Mexico. This expanded trade volume should benefit Louisiana's ports and maritime sectors which have existing capacities able to absorb these increased trade activities. Land transportation, especially trucking, remains the dominant modal choice of shippers in the movement of general cargos between the U.S. and Mexico. Intermodal options using a water transport component, however, are likely to develop in the gulf because of the lower costs for some segments of the trade as well as existing congestion and delays at key land border crossing points across the U.S.-Mexican border that will most likely not be resolved in the near future. A wide and varied port structure already exists in both the U.S. and Mexican gulf regions to accommodate such intermodal movements.

This study identifies NAFTA-induced market opportunities for Louisiana's maritime sector and to help define the strategies, maritime services, and port infrastructure requirements necessary to exploit these opportunities. Identification of current deficiencies affecting such opportunities also needed to be referenced.

OBJECTIVES

The primary objective of the research is to identify NAFTA-induced market opportunities for Louisiana's maritime sector and define the strategies and maritime services necessary to exploit these opportunities. Additionally, if deficiencies exist that could prevent or hinder Louisiana ports from pursuit of these opportunities (i.e. infrastructure deficiencies such as inadequate berthing space or water depth, lack of proper equipment, lack of storage area, etc.) such problems were to be clearly referenced. In meeting the above objectives, Louisiana's maritime interests should receive from this report sufficient information necessary to focus their marketing and development efforts on potential NAFTA region trade for their respective organizations. Such information includes:

- Identification of market opportunities by commodity type (bulk, breakbulk, container, etc.)
- Origin/destination locations between Louisiana and Mexico for existing/potential commodity flows
- Cost profiles by type of transportation service
- Specification of infrastructure, logistical,
- and institutional requirements.

RESEARCH APPROACH

The approach included two distinct components:

Component 1. Opportunities by port type and range: Port types are defined as deep-draft (greater than 25 feet of water at berth), medium-draft (between 15 feet and 25 feet of water at berth), and shallow-draft ports (less than 15 feet of water at berth). Market opportunities are defined in terms of these three categories as well as the port range and location (coastal, lower Mississippi river, and inland river ranges).

Component 2. Opportunities for specific ports: The scope of this component will be defined in the future under a separate agreement if and when an individual port desires to use the findings of component 1 for specific application to its marketing and facilities programs.

For each of these components, opportunities were analyzed in conjunction with the five types of maritime services currently operating or being considered for the U.S. gulf coast/east coast of Mexico trade. Those five types of services are (1) deep sea conventional service, (2) short sea coastal service, (3) feeder service, (4) river/ocean service, (5) water bridge.

CONCLUSION

Louisiana ports appear to be competitive in handling output rates for general cargo commodities such as bagged agricultural products, paper products, steel-related commodities, and containers. When compared to a major port competitor like the Port of Houston, all-inclusive costs for handling cargos in New Orleans are higher due to additional vessel steaming time. If this additional cost is excluded, operation costs in New Orleans are lower than those in Houston. Operation and cargo handling costs in Gulfport and Miami are lower than in both New Orleans and Houston. However, the cost of cargo handling in New Orleans lies between the two sets of ports, about ten percent lower in comparison with Houston and about ten percent higher than in Gulfport or Miami.

Ports in Louisiana are in a difficult competitive position to expand current container volumes within the close proximity of modern high-volume container facilities at both Houston and Miami. However, the handling of niche cargos such as perishables and steel or providing emerging maritime services such as trailer ferry operations or river/ocean services fromthe state's ports as alternatives to land based transportation systems may provide the most effective means of maintaining a competitive advantage for Louisiana's ports with trading partners such as Mexico.

RECOMMENDATIONS

The state's deep-draft ports such as New Orleans, Baton Rouge, St. Bernard, and Lake Charles seem well positioned to concentrate on short sea coastal services for general cargos such as steel, bagged rice and other agricultural commodities, and forest products such as paper, woodpulp, woodchips, newsprint, and lumber products.

The introduction of new point-to-point services such as a "gulf trailer ferry," suggested as an emerging general cargo NAFTA opportunity with Mexico, may help Louisiana's ports to enjoy a growing market share of container and trailer north/south general merchandise cargo movements between the U.S. and Latin America. For example, Louisiana has superior intermodal connections (rail and highway) from the Port of New Orleans that would provide a gulf region "gateway" to the central and eastern portions of the U.S. for cargos going to and from Mexico and the U.S., the Caribbean Basin, Puerto Rico, Central America, and the rest of Latin America.