

Intermodal firms weighing potential impact of Panama Canal on business

BY COLE EPLEY

When the Panama Canal expansion concludes during or after 2014, the Big Ditch will have effectively doubled its capacity and will be able to facilitate passage of New Panamax vessels, which can carry more than twice the container load of Panamax vessels.

Dunavant Enterprises Inc.

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More importantly, the expansion will provide high-volume shippers direct access to the Gulf of Mexico and the eastern seaboard.

This access may not translate to an immediate, pronounced increase in shipping volume in the Mid-South and Southeast, but it's too soon to tell what the longer-term impact could be.

The way William B. Dunavant III, president and CEO of Dunavant Enterprises Inc., sees things, the expansion will at least provide shippers a viable alternative to the West Coast. Ports at Long Beach and Los Angeles, for example, are convenient to Asian shippers geographically and can accommodate the larger New Panamax ships — an attribute boasted on the East Coast only at Norfolk, Va.

"If the canal opens in January 2014, would we see a 10 percent shift in freight? Absolutely not," Dunavant says. "I think what you're going to see is any major shift to freight probably taking three to five, maybe six years."

Dunavant and other third-party lo-



COURTESY THINKSTOCK

An expansion of the Panama Canal will enable larger, New Panamax vessels with twice the cargo capacity of pre-2009 Panamax ships to pass through the canal.

gistics providers will continue to position themselves for whatever changes the expansion may bring.

In the last two years, Dunavant Enterprises' Global Logistics Group has acquired interests with terminals in Houston and along the East Coast. These acquisitions have allowed the company to remain bullish about intermodal.

"We believe in getting containers off the road and on the rail, but we also have the capacity from a trucking standpoint with the 10 terminals we operate to deal with capacity," Dunavant says.

Coyote Logistics LLC, as a non-asset

based 3PL, is also uniquely positioned in that it inherently acts as a buffer in times of volatility or uncertainty.

"Any time we see a market shift ... something like what the Panama Canal widening project is going to do, we excel in working with shippers and giving them the ability to postpone their decision-making," says Chris Pickett, chief strategy officer at Coyote. "They won't need to go out and shed or add private fleet assets if they know we can support them at very little notice."

Uncertainty surrounding the expansion's impact has fueled speculation among all modes of transport, according to Martin Lipinski, director of The

Intermodal Freight Transportation Institute at the University of Memphis.

"As an example, many are saying the railroads will counteract water flows for shipping by lowering rates and not diverting to water, but that's still unknown," Lipinski says.

Union Pacific Railroad spokesman Tom Lange, meanwhile, says the railroad anticipates a minimal impact from the expansion.

"Our feeling is anything that's time-sensitive is still going to need to move on the rails," he says.

Lange offers examples of rail's speed and efficiency as support and also points to the billions of dollars in investments needed for infrastructure improvements at harbors up and down the East Coast. But he also raises another important question: what kinds of new fees will shippers be required to pay for passage through the canal?

The Panama Canal Authority has yet to suggest how much passage will cost, but that is on the radar of 3PL providers. Dunavant, in particular, remains focused on all modes of transport.

"The trucking industry is not going away, but the expansion could lead to shorter lengths of haul. With the driver shortage, that weighs in as well," says Richard McDuffie, chief operating officer for Dunavant Global Logistics Group. "But you've got to look at the whole picture and each mode — ocean, rail and truck. We want to position ourselves to take advantage of all three moving forward."

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IN THE SPOTLIGHT



Stuart Leslie
 Executive recruiter
 Vaco Logistics

BIOGRAPHY

Age: 39
Hometown: Port Glasgow, Scotland
Education: B.B.A. Logistics and Supply Chain Management, University of Memphis, 2012
First job: Lifeguard
Family: Wife, Gretchen Peters, and daughter, Delaney Peters

TRUE CONFESSIONS

Like best about job: When you find the perfect fit for both the candidate and the client. Being able to help people take that next step on their career path, or, in this unfortunate economy, get back to work is extremely personally rewarding.

Like least about job: When you have an A+ candidate but they, for one reason or another, just don't quite fit what a client is looking for.

Pet peeve: Bad service at a restaurant. These days, everything is about service. It's the differentiator between just acceptable and exceptional.

Most important lesson learned: It sounds cliché, but "never judge a book by its cover." I'm surprised every day by people. The minute you make assumptions about someone you are almost immediately proven wrong.

Person most interested in meeting: Drew Brees

Most respected competitor: The Vaco Nation. We're a tight team, but we all sure love to win. But to be clear, the Memphis office IS the best.

Career goals: I really want to be a partner and manage a new Vaco office some day.

First choice for a new career: Charter boat captain

PREDILECTIONS

Favorite quote: "Give me liberty or give me death!" I became an American citizen this year and have always loved American history.

Most influential book: "It's Your Ship: Management Techniques from the Best Damn Ship in the Navy," by Michael Abrashoff

Favorite cause: Toys for Tots; St. Jude Children's Research Hospital

Favorite status symbol: I'm not really into status symbols, but if Gretchen is reading this I sure wouldn't mind having a Tag Heuer watch for Christmas.

Favorite movie: "Star Wars: A New Hope"

Favorite restaurant: Central BBQ

Favorite vacation spot: Anywhere with sand, ocean and umbrella drinks is fine with me.

Favorite way to spend free time: Playing golf

Favorite stress reducers: Talking walks with my family. It's our time to talk about our

days and unwind.

Favorite musicians: The Beatles, U2 and Live

Automobile: Jeep. Have one, would buy another.

WHAT DO YOU KNOW

What are the biggest challenges for transportation companies to add capacity and work force as we enter 2012?

There's always a challenge in adding capacity, whether it's adding a new supply chain partner for increased volume or the amount of resource talent to add in any economy, but now I think it's realigning expectations of these two assets to make sure you are getting the synergies from both.

We are always looking to get the most from our business partners and work force as we enter into any new endeavor, and getting the right people in place is key to that success. In dealing with manager and director-level talent, it's a challenge getting candidates to "right size" their expectations based on the volume of work force looking for new career opportunities and instill the mentality that they may have to step back to move forward. We're going to continue to see the trend of logistics companies trying to do more for less; both candidates and clients are learning to become more adaptable and focus on that quality/quantity balance.