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Wholesaling a service gap

Blue Coast Intermodal wants to reinvent US West Coast supply chains

Stephen Pepper is anxious to prove that government money can spark demand for a service that supply and demand alone has yet to achieve.

Pepper, the president of Humboldt Maritime Logistics, says that he and partner Abraham Hyatt have figured out a way to provide box capacity for international and domestic shippers along the US West Coast that complements - rather than competes - with ocean carriers and long-haul trucking companies. HML's Blue Coast Intermodal (BCI) is an \$80M container-on-ocean barge system that Pepper and Hyatt plan to market as a wholesale service to liner operators and truckers as extensions of their own services.

The scheme, known by government officials as the West Coast Hub-Feeder Project, was awarded \$275,000 in September by the US Department of Transportation to help get it off the ground. It was one of several projects for which the DOT provided a total of \$7M to either kick-start or expand in support of a national Marine Highway programme.

"These projects demonstrate how water transportation can help solve some of our toughest transportation challenges," said US DOT secretary Ray LaHood in announcing the awards. "Transporting goods by water will let us reduce congestion and greenhouse gas emissions."

As a public-private partnership, the Humboldt Bay Harbour Recreation and Conservation District is sponsoring the venture. The partners are seeking \$56M of the total cost in federal funds to pay for two 430ft (131m) coastwise barges and two mobile harbour cranes, one installed at the Port of Long Beach and one at Humboldt Bay, California.

Long Beach and Humboldt Bay, along with ports at Coos Bay, Longview and Stockton will constitute the spine of the intermodal feeder system that BCI envisions.

Instead of using expensive terminals at first-call ports, "we wanted to come in through the back door to design a marine highway programme that uses secondary ports or secondary terminals within major ports", Pepper told Fairplay.

Pepper wants to build the project initially around a wholesale feeder service offered to ocean carriers that are cutting back on operating costs by scaling back port calls. An ocean carrier would purchase capacity wholesale from BCI, utilising BCI's tug and barge service while still marketing the service to shippers as their own.

So instead of a big-box importer dropping off containers in LA-Long Beach and trucking them up the coast to the Pacific Northwest, for example, BCI would continue the intermodal move by loading them onto a barge and transporting via water.

Likewise, US agriculture exporters from the Pacific Northwest have watched export destinations offered by ocean carriers out of the Port of Portland and Seattle decline. Ocean carriers - through their purchase of BCI capacity - would be able to offer a service from the smaller port at Longview down to Stockton, near the Port of Oakland, or to Los Angeles, where more export destinations are available.

On the domestic side, long-haul, national trucking companies purchasing BCI's 53ft domestic container capacity would have an 'economy class' service to offer shippers moving non-time sensitive products manufactured in Southern California destined for the Pacific Northwest, or vice versa. BCI estimates it will save domestic shippers about 10% from their freight bill.

In addition to offering both domestic and international shippers a cheaper, 'greener' service, taking 68,000 long-haul truck trips off the federal highway system in Washington, Oregon, and California - which is what Pepper estimates the service can accomplish, it will save the government \$17M/year in highway maintenance bills.

As environmental restrictions increase each year, particularly in California, pure economics is no longer the only factor shippers take into account when purchasing freight.

"For us on the private side, this service is also about giving shippers a way to move cargo more environmentally responsibly," Pepper pointed out. "We've determined up to 77% of CO2 emissions over West Coast surface supply chains can be removed by coupling marine highway water transport with the clean diesel technologies coming down the pipeline within the port areas."

Any new service is a tough sell, especially in a fragile economy. Potential partners SSA Marine, a major terminal operator, and Marine Resources Group, a tug and barge company, have lent their letters of support to the project, but nothing beyond that - so far.

Aside from the boost given to the project by its recognition from DOT, "we're looking for private equity", Pepper told Fairplay. "MRG and SSA have told us if it makes economic sense they'd sign on. They're interested in seeing where we take this."

68,000

truck trips converted to box moves

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