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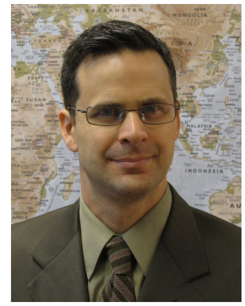
Interview of the month

Jean-Paul Rodrigue, Professor, Hofstra University, New York



Jean-Paul Rodrigue received a Ph.D. in Transport Geography from the Université de Montréal (1994) and has been a professor at Hofstra University since 1999. Dr. Rodrigue's research interests mainly cover the fields transportation and economics as they relate to logistics and global freight distribution. His papers about port regionalization and the development of port / hinterland supply chains are among the world's most cited papers in the domain. Dr. Rodrigue developed a widely used online reference source about transportation which became a textbook, The Geography of Transport Systems, now in its fourth edition. He is a lead member of the PortEconomics.eu initiative regrouping the world's leading maritime transport academics and performs advisory and consulting assignments for international organizations and corporations. In 2013, the US Secretary of Transportation appointed Dr. Rodrigue to sit on the Advisory Board of the US Merchant Marine Academy at Kings Point.

Dr. Rodrigue, could you tell us about the main issues facing the maritime industry as a whole?

The maritime transport sector is confronted with a number of technological, technical and trade-related challenges. From a technological viewpoint, we are moving towards automation, especially where marine terminals are concerned (under way) but also in terms of ships themselves (significant potential over the coming years). This requires large-scale capital investments for crane, storage and terminal gate access systems as well as the information systems supporting this automation. The danger is that these new technologies do not necessarily mean additional volumes for operators, who are investing simply to maintain their traffic and to meet growing demands for uninterrupted cargo flows.

Technically speaking, the trend is toward economies of scale, that is, bigger ships in order to reduce unit transport costs. The problem is that economies of scale make some ports obsolete, given shortcomings in draught and insufficient volumes to justify regular services. To some extent, economies of scale are the externalization of maritime shipping companies' transport costs, transferring the problem to port terminals and inland road and rail infrastructures.

Trade-related issues are also uncertain since the push toward globalization has reached the maturity stage. This means that offshoring potential is now much more limited. On the other hand, the difference in production costs is increasingly less evident in numerous manufacturing sectors which, coupled with automation, promotes what is commonly called reshoring. These processes ensure more reliable future demand, or, at least, lower growth rates than those the industry has been accustomed to thus far.

In your view, what impacts will the change in the US administration have on Canada-US trade, more specifically in terms of maritime activity?

It seems we are facing something of a tempest in a teacup. After more than 23 years of NAFTA (and much more), the Canadian and US economies are highly integrated, complementary and competitive. These relations cannot be easily cast aside without enormous cost to the economies in question. The new US administration's populist positions are more public relations displays to placate voters than concrete, sustainable policies. I even believe that, until recently, key individuals in the new administration had only cursory knowledge (to be polite) of the nature and complexity of US trade relations, more particularly the existence of so-called value or supply chains. Large US financial, industrial and logistical interests have far too much to lose from this and little to gain; most of these conglomerates benefit from these value chains.

Nevertheless, the opportunity lends itself to updating NAFTA, in the guise of renegotiation, and this is where there is a danger. Given that the majority of Canada-US trade involves road or rail transport, I don't see how the maritime shipping industry will be significantly affected, except, perhaps, the St. Lawrence – Great Lakes system. In this regard, I see possibilities for further collaboration for managing and improving maritime and energy-related infrastructures. The risk is greater in the road and rail sector than the marine sector.

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Do you think the maritime industry is able to adapt easily to international movements?

While it is in shipping's very nature to adapt to market conditions, this adaptation involves an important duality. Ship owners' and operators' assets, primarily their ships, can be repositioned according to geographic and seasonal market fluctuations in the often elusive attempt to maximize their use. The problem is that the current situation of maritime overcapacity offers more limited opportunities in this field, especially if we add the constraints on the coasting trade in many markets, including the United States. The situation is more restrictive for ports, given their obvious immobility. Ports face pressure to improve their infrastructures and their connectivity in order to serve their inland markets. Regardless, the marine industry continues to be very adaptable, albeit subject to significant constraints related to investments and regulations (for example, environmental impacts). It is possible to adapt effectively if investment capital is available and if the adaptation is socially acceptable.

In your opinion, what could the marine industry do to increase its competitive advantages?

The industry is already very competitive, especially where ship owners and operators are concerned. Few international markets are inaccessible, but coasting trade remains in effect, thereby allowing certain national ship owners to continue operating. Internationally, competitiveness is so keen that it is difficult for many ship owners to continue making a profit. The Korean shipping company Hanjin's bankruptcy in fall 2016 was striking since it illustrates the industry's weaknesses. Competitiveness creates adverse effects, pushing for economies of scale to increase profitability. These result in additional capacities, which, in turn, push for lower transport rates. In my opinion, it is with regard to ports that issues related to competitiveness are strategic. In addition to trends toward automation, competitiveness today revolves around logistics. Ports are important links in value chains and any improvement in economic, time-related or technical performance in terms of connectivity that ports offer between international and regional transport systems increase their competitive advantages. The big question remains "Which elements of logistics performance should be priorities?".