

4 Appropriate models of port governance

Lessons from the Port Authority of New York and New Jersey

Jean-Paul Rodrigue

Globalization has been one of the dominant paradigms of maritime shipping and port terminal development since the mid-twentieth century. The emergence of a global economy has focused on three poles – North America, Western Europe and Japan – where most of the commercial, financial and distribution functions take place. Substantial changes have concomitantly occurred in the manufacturing sector, with production capabilities spread over vast territories (Rodrigue 2000), resulting in extensive shifts in the geography of freight distribution. Ports, from gateways to feeders, have been influenced by increased competitive pressures, by their integration with inland freight distribution systems, and by technical and technological changes in maritime and land transportation alike (Rodrigue *et al.* 1997). Global change has frequently inflicted severe local pains (McCalla 1999).

All this is now well known. But how ports should respond and adjust to these externally driven changes is much less well understood. Later in this volume (Chapter 7), McCalla aims to compensate for this gap through a theoretical approach to container port development, based on detailed analysis of the defensive and offensive strategies pursued by ports and shippers on the North American eastern seaboard. In the present chapter a complementary analysis is offered, focusing on a related issue. The globalization of trade has been closely linked with the rise of neo-liberal thinking and associated post-Fordist policies. In places this has been a driving force for port privatization, and more widely for managements to focus on ports' essential core business. But what has not been tested as this trend has emerged is the growing implication that publicly owned ports, not subject to the full rigour of the market, are unable to respond effectively to the new competitive pressures of globalization. Exploring this issue is the main aim of this chapter.

The port of New York serves as an excellent testbed to examine the thesis that in a neoliberal, privatized world, adherence to public agency port governance is outmoded and disadvantageous. The Port Authority of New York and New Jersey (PANYNJ) not only remains firmly in public control, but also has a remit extending well beyond a governance model focused narrowly on the management of port land use, support for terminal operators, and traffic regulation activities such as safety. In fact, the PANYNJ is responsible for a wide array of

infrastructure ranging from office space¹ to bridges and tunnels, industrial development zones, waterfront developments, four airports and one heliport, transit systems and port terminals (Doig 2001).

No other port authority in the world manages such a diversified portfolio of activities, infrastructure and terminals within a coterminous geographical and administrative entity.² As a result, it is one of the largest public agencies in the United States, one which serves a region of more than 20 million persons and 600,000 businesses, representing one of the most extensive accumulations of economic activity in the world. To present it as the ultimate in the survival of Fordist governance, or a state within a state, seems little exaggeration. Consequently, the success with which this complex and diffuse organisation has coped with the port's development needs can be seen as a key question relevant to port systems around the world. How strong is the evidence that continued public ownership, and the demands of an extremely diverse portfolio of interests, have dissipated the PANYNJ's attention and consequently worked to the detriment of what should be its core business, the port?

To explore this question, the chapter begins by placing the port of New York in the wider contexts of change in the global trading environment and associated pressures on the US port system. Attention then turns to the long-term development of the PANYNJ and, in particular, the impressive diversification of its activities into non-port investments. Finally, with the breadth of diversification established, the spotlight turns to the needs of the port *per se*, and the degree to which these have been prioritized and met by the Authority.

The global and US contexts

As one of the poles of the global economy, the United States has been significantly affected by restructuring of its international trade in terms of its nature, volume and direction. While accounting for 22 per cent of global GDP, the national market is substantial, but international trade is taking a growing part of the economy, a trend particularly underlined by trade agreements such as the North American Free Trade Agreement (NAFTA) and the explosion of trans-pacific trade. Since the mid-1970s the US economy has systematically produced a negative goods trade balance, which reached a record \$484.5 billion in 2002 (US Department of Commerce 2003). This is jointly the result of a growth of national consumption; an appreciation of the value of the US dollar, making foreign products cheaper; and a shift of labour-intensive manufacturing activities outside the United States. While exports of goods have consistently grown to reach \$682.3 billion in 2002, this growth has been outpaced by imports, which totalled \$1,166.9 billion the same year.

Such a negative balance is reflected in port operations, which have seen a sizeable growth in traffic, but a shift in its direction. About 44 per cent of the world's merchant fleet calls at a US port each year. However, the maritime façades of the United States, having different functions and market areas, are each being affected in a different manner as the changing trade structure that is

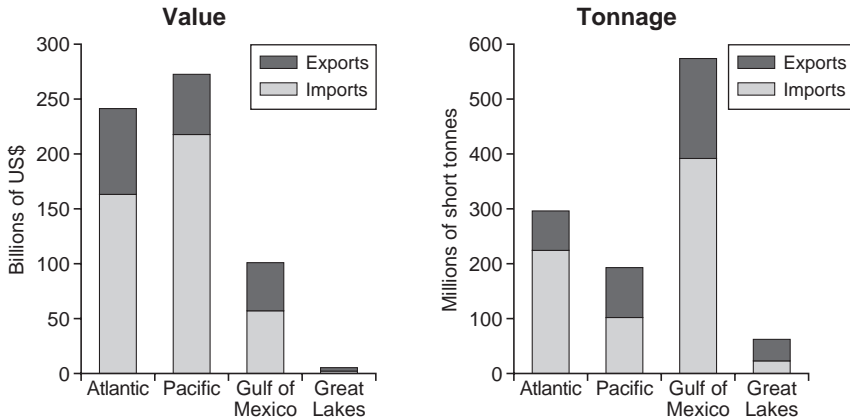


Figure 4.1 Value and tonnage of foreign cargo handled by maritime facade, United States, 1999. (Source: US Corps of Engineers, Navigation Data Center).

tied to globalization generates varied regional adjustments. Ports on the Pacific coast handle the highest value of foreign cargo, while the Gulf of Mexico takes the most tonnage, mainly oil and agricultural products (Figure 4.1). The highest imbalance in cargo value is along the Pacific façade. This is an indication of value added inbound cargo from Pacific Asia coupled with a significant inland distribution function, notably through a rail land bridge using double stacking. The highest tonnage imbalance is along the Atlantic façade, where all the petroleum, most of the raw materials and significant shares of the manufactured goods are imported for regional consumption (US Department of Transportation 2001). At a local scale this imbalance is also reflected in every major port, where imports dominate significantly (Figure 4.2). In New York’s case, 75 per cent of the value and 90 per cent of the tonnage are import/inbound related. This includes 11 per cent of all ocean-borne general cargo imported into the United States and 40 per cent of the Midwest-bound cargo transhipped through North Atlantic ports (PANYNJ 2001).

New York and its Port Authority

New York’s role as one of the world’s true global cities and the main gateway of the eastern seaboard of North America is widely acknowledged (Abu-Lughod 1999; Sassen 1991). This role emerged at the beginning of the nineteenth century, was mainly the consequence of the advantages of its port location, and initially was associated with nothing unusual with respect to port governance.

The port’s hinterland initially developed to include the resource-rich regions of the US heartland through the Erie Canal, which opened between 1821 and 1825. The canal linked New York to Albany and Buffalo and initiated a new era of growth for inland freight transportation. At that time, New York was only

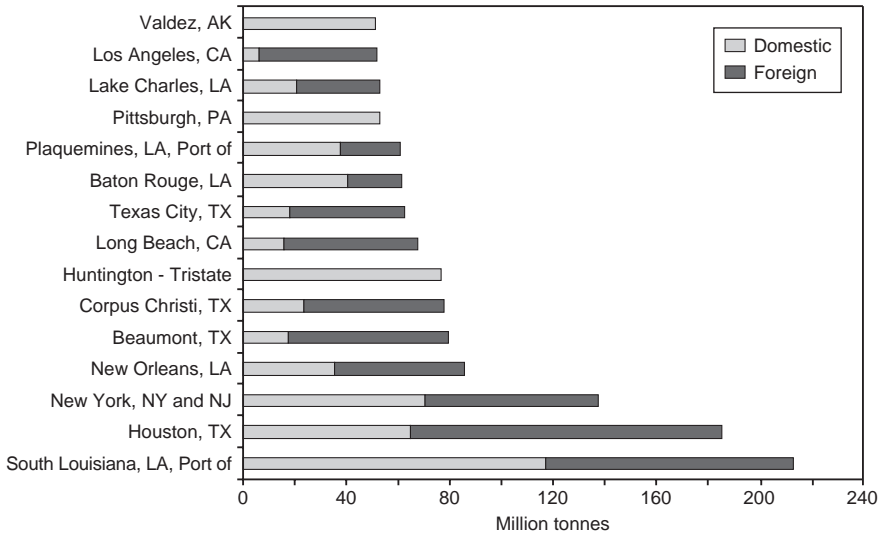


Figure 4.2 Cargo handled by the top 10 American ports, 2001 (tons). (Source: US Corps of Engineers, Navigation Data Center).

the fifth-largest US seaport, behind Boston, Baltimore, Philadelphia and New Orleans. But by 1850 New York had evolved to become the most active port in the United States, as well as its prime city handling maritime traffic. By this time, its throughput exceeded the amount handled by Boston, Baltimore and New Orleans combined (New York State Canal Corporation 2001). The latter part of the nineteenth century focused on rail infrastructure developments, undermining the importance of the canal system but confirming the function of New York as the hub of the national transport system. This growth of port activities was on a par with the consolidation of foreign trade, wholesaling, and financial, shipbuilding and industrial activities. At this time, too, New York became the immigration gateway of North America.³

Since the New York harbour and the lower Hudson River are the boundary between the states of New York and New Jersey, port development occurred on both sides but under different jurisdictions. This process led to conflicts between the two states concerning the usage and jurisdiction of harbour facilities on the Hudson River, and by the early twentieth century these were becoming increasingly difficult to manage. In 1917, as the United States entered the First World War, an interstate conflict arose over the issue of rail freight rates. Most of the rail lines coming from the west ended on the New Jersey side of the harbour, while most ocean shipping was calling at Manhattan and Brooklyn. Freight had to be transferred on barges across the Hudson, exacerbating delays and congestion in the harbour. New Jersey petitioned the Interstate Commerce Commission to lower freight rates on its side of the Hudson in

order to attract more port calls, but was overruled on the ground that the whole region was one functioning harbour. This was the stepping stone that led to the creation of the Port Authority, modelled initially on that already established in London.

The institutional setting

Founded in 1921, the PANYNJ became responsible for a region of 1,500 square miles (3,880 km²), overlapping two powerful states and centred around New York harbour (Figure 4.3). From the outset, a key feature was that it received a very broad governance mandate enabling it to undertake any project concerning any transport mode as long as it would promote commerce, trade and public good. To finance its activities the PANYNJ can issue bonds, charge user fees and collect rent. These arrangements have combined to ensure that it now has vested interests in a wide array of infrastructure developments, only some of which are port facilities. The emergence of this diversity is charted in the following section through a review of non-port infrastructure projects undertaken by the authority through the 80 years of its existence.

The most noteworthy achievements of the PANYNJ in its early years (the 1920s and 1930s) were not the development of port terminals, but the construction or the takeover of a succession of bridges and tunnels linking the two states, an urgent need on which both sides of the Hudson agreed. The issue of connectivity between New York and New Jersey was thus addressed, by road if not by rail.⁴ Goethals Bridge and Outerbridge Crossing were the first to be constructed (1928), followed by the George Washington and Bayonne bridges (1931). These projects were completed ahead of schedule and below estimated costs, which boosted the reputation of the PANYNJ as an efficient legal and administrative body. The authority also opened the Lincoln Tunnel in 1937, having taken over in 1930 the jurisdiction of the Holland Tunnel (completed in 1927) (PANYNJ 2001).

The post-Second World War era marked tremendous technological and spatial changes for transport activities in New York. The most overt changes concerned the development of air transport terminals: by 1948 the PANYNJ was responsible for New York's three major airports, Newark, La Guardia and John F. Kennedy.⁵ These it began to transform into world-class terminals. But the 1950s and 1960s also saw a commitment to public transit. As New York, like all American cities, was suburbanizing, a growing demand for passenger movements between both sides of the Hudson was being felt, and the PANYNJ believed it had the responsibility to help accommodate this increase in interstate interactions. This led to the opening of the Port Authority Bus Terminal (1950), the Port Authority Trans-Hudson railway (PATH) (1962) and the George Washington Bridge Bus Terminal (1963).

In the 1970s and 1980s, New York's economy was compromised by de-industrialization and the flight of head offices of major corporations. Now the PANYNJ became more specifically involved in regional economic development

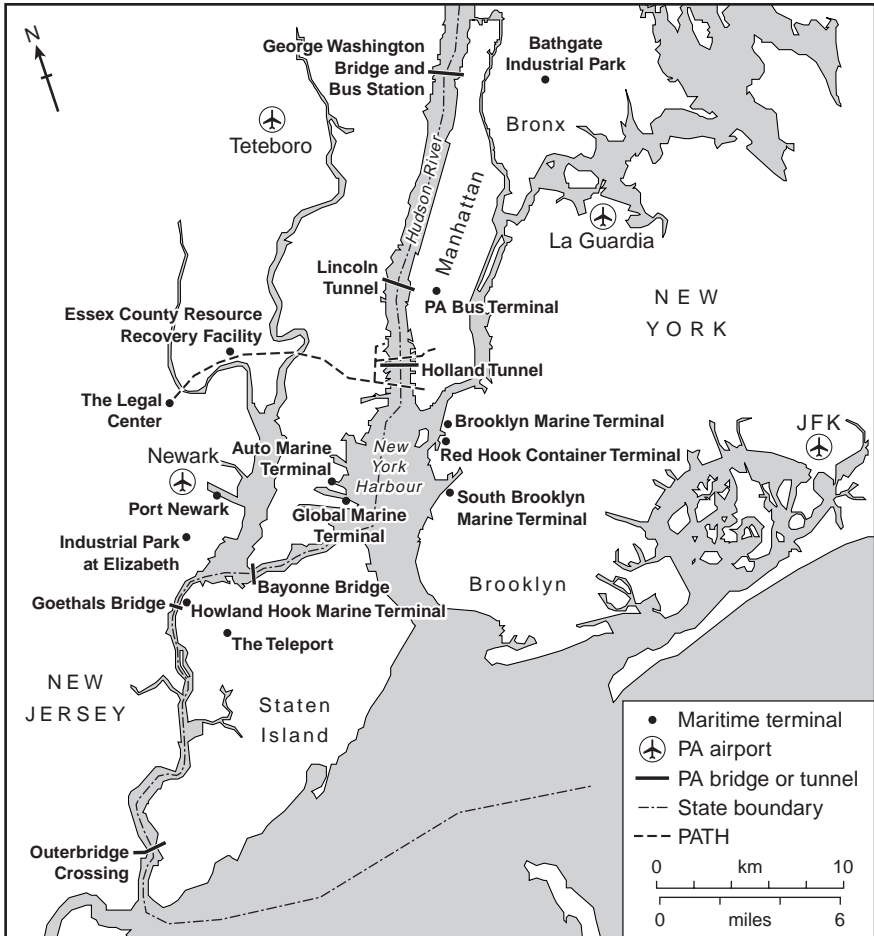


Figure 4.3 Facilities of the Port Authority of New York and New Jersey, 2003. (Source: PANYNJ, 2001; Bureau of Transportation Statistics (2003)).

with the construction of the World Trade Center (1970), plus the creation of industrial and telecommunications parks and a power plant (1990). But more efficient and sustainable land transit has also been a major theme, particularly with respect to the notorious problem of connectivity between its two main airports and Manhattan, which until recently could be reached only by road. Air-Train services connecting the Newark airport with regional rail transit opened in late 2001, and another service linking JFK with rail lines into Manhattan commenced operation in 2003.

Figure 4.3 provides an overview of the facilities under the jurisdiction of the Port Authority in 2003. Beyond this, the extent, diversity and importance of long-term investment in non-port activity are readily highlighted:

- *Bridges and tunnels.* Every river crossing between the city of New York and the state of New Jersey is operated by the PANYNJ. Together they carry more than 250 million vehicular crossings each year, and the George Washington Bridge is the most heavily used in the world, with about 300,000 crossings a day.⁶ To improve the efficiency of regional vehicle circulation, the PANYNJ has implemented since 1997, in collaboration with several state and transportation authorities, an electronic toll system⁷.
- *Airports.* The three major airports – Newark, John F. Kennedy and La Guardia – handled 34.2, 32.8 and 25.5 million passengers respectively in 2000, making New York a global air transport hub ranking alongside London and Tokyo. The combined air passenger traffic of all four airports⁸ was 92.4 million, making the authority the largest direct overseer of air traffic in the world. In addition, air cargo amounted to 2.8 million tons.
- *Public transit.* The PATH heavy rail line, linking New Jersey with downtown Manhattan, carried 73.4 million passengers in 2000. The same year, the Port Authority Bus Terminal handled over 2.3 million bus movements and 58 million passengers. On a typical weekday, approximately 7,200 buses and 200,000 people use the bus terminal. Because the George Washington Bridge Bus Station is more oriented to longer-distance commuting, its figures are lower. Even so, it handled 5.7 million passengers in 2000.
- *Regional development initiatives* include both the industrial parks (Bathgate in the Bronx and Elizabeth, New Jersey⁹) and commercial developments offering office space (the Staten Island Teleport and the Legal Center, New Jersey). The PANYNJ is also involved in two waterfront development projects contributing to the reduction of inner-urban problems by converting centrally located maritime terminals to mixed urban land use. The power plant's contribution to regional development is via sustainability: on average, 2,500 tons of refuse is converted into electricity every day.

The PANYNJ's diversification is, therefore, impressive. Moreover, its extent is underlined by the Port Authority's financial profile. Operating revenues in 2002 were about \$2.7 billion, of which 57 per cent was derived from air terminal operations and 30 per cent from interstate transportation in the form of bridge tolls and transit fares. In sharp contrast, port activities accounted for only 5 per cent of revenue income (Figure 4.4). The asset picture differs in detail, but port infrastructures now account for only 11 per cent of the PANYNJ's total assets. This remarkable situation strongly underlines the importance of the central issue this chapter seeks to explore. Is there evidence that the massive and diversified involvements of the Port Authority have worked to the detriment of the port function, for example by drawing away funding from the core business of port development? Does it appear likely that the authority will respond adequately to current trends that seem set to make improved regional freight distribution a priority in the next phase of development in the early twenty-first century?

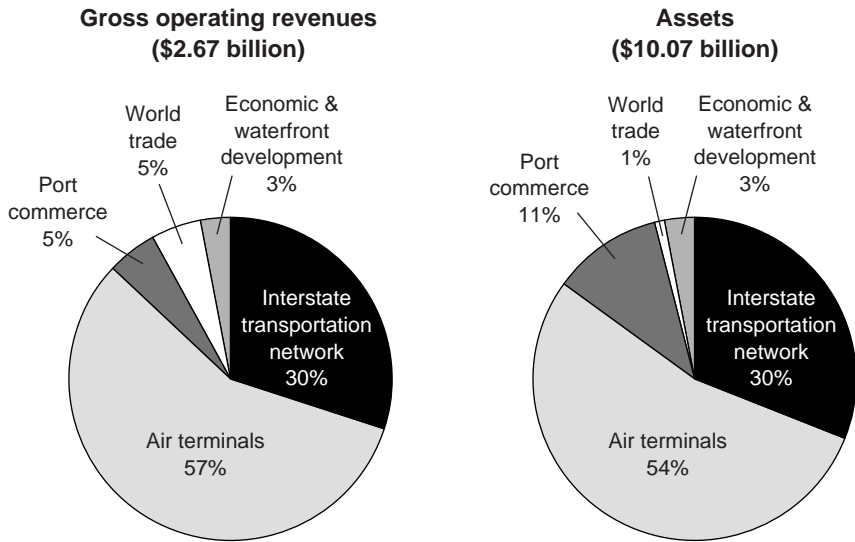


Figure 4.4 Financial profile of the Port Authority of New York and New Jersey, 20021. (Source: Port Authority of New York and New Jersey, Annual Financial Report (2002)).

The PANYNJ: meeting the port's key needs?

At first sight, there are signs of Port Authority failure. By the 1970s, New York was the largest container port in the world, handling just under 1 million TEU in 1975, 1.9 million in 1980 and 2.3 million in 1985. From this peak, however, a period of stagnation and relative decline endured, with the result that in the early 1990s the port was handling roughly the same amount of containerized traffic as it had in the early 1980s (1.8 million TEU). During this period, Asian container ports such as Hong Kong, Singapore, Kaohsiung and Pusan surpassed New York, while on the Pacific coast Los Angeles and Long Beach also boomed and topped it.¹⁰ Similarly, the hubbing role of New York on the Atlantic coast was challenged by traditional rivals such as Baltimore, Philadelphia and Montreal.

Warf and Kleyn (1989) have argued that local factors, particularly inadequate intermodal rail access and high labour costs, played a significant part in this relative decline. Yet the period in question was also the time when the local economy was subject to sharp international trade changes that were beyond local control. De-industrialization began in the 1950s but was still a major force at this time, culminating in a devastating recession in 1989–92 and impacting sharply on the port's export function. Meanwhile, although a new regional economy was developing new directions of trade, at first these could not fully compensate for lost exports. As the 1990s progressed, however, regional economic adjustment gathered pace, fed through to the port, and demonstrated that it was not the port itself that had checked throughput growth. Instead,

port dynamism had become increasingly dependent on the demands of the regional economy, which were in turn spurred by the globally linked functions of New York.

Port traffic reorientation and recovery arose in part from New York’s new wave of development, which relied increasingly on activities global in scale, including finance and banking, international investment, information technologies, and marketing and media services (Lakshmanan and Chatterjee 2000; Warf and Cox 1989). But recovery was also a consequence of expanding regional consumption: while the New York metropolitan area houses 20 million people, an extra 80 million can be reached within 24 hours. This makes the direct market area of the port of New York one of the largest in North America and one of the most extensive in the world. Against this background, the key trade figures are that while cargo exports increased by 38 per cent in tonnage in the period 1991–2002, cargo imports – overwhelmingly containerized – boomed by 70 per cent. Its national share has also improved in the past five years, as the Port of New York/New Jersey accounted for 13.5 per cent of all containers handled by American ports in 2002 and 59.6 per cent of all containers handled by North Atlantic ports (PANYNJ 2003). This was the result of rapidly accelerating regional freight demand (Figure 4.5). Similarly, New York’s Auto Marine Terminal handled 588,000 vehicles in 2002, 94 per cent of which were inbound. Thus, freight transportation and distribution in the eastern seaboard became increasingly consumption related, as opposed to the traditional production-related role, and the resumption of port growth hinged on the successful structural shift New York’s hinterland, which globalization *regionalized*.

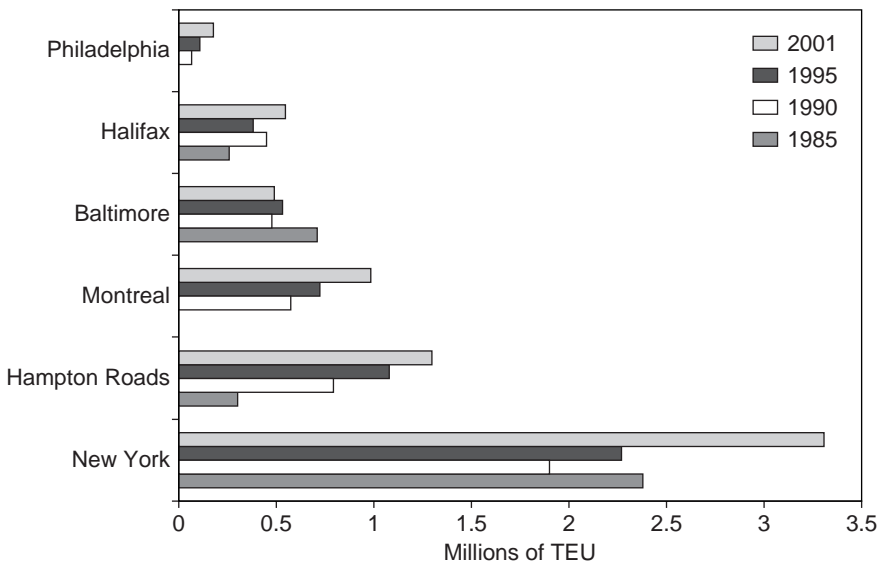


Figure 4.5 Main container ports of the North Atlantic façade, 1985-2001 (millions of TEU). (Source: American Association of Port Authorities (2002)).

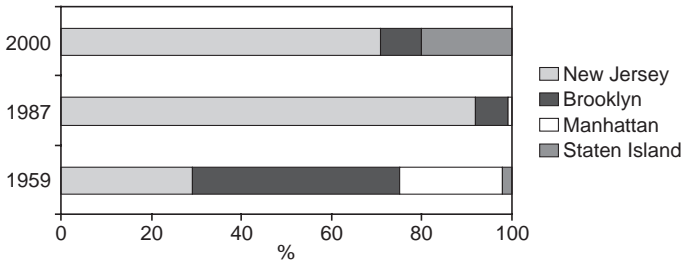


Figure 4.6 Distribution of general cargo operations, Port of New York, 1959, 1987 and 2000. (Sources: for years 1959 and 1987 Moss (1988); for 2000, and PANYNJ (2001–3)).

The conclusion that port growth was not strangled by inadequate facilities is also borne out by a review of infrastructural investments. Over a lengthy period, most port terminals were relocated from the general cargo wharves of Manhattan, Brooklyn, Hoboken and Jersey City to specialized and more spacious locations. By the early 1980s almost all maritime cargo transshipment in Manhattan had ceased, and traffic was dominantly handled in New Jersey and Staten Island, a complete reversal in the port's geography of freight (Figure 4.6). There are now seven public terminals that are managed by the PANYNJ in these new sites. While the South Brooklyn Marine Terminal is a warehousing facility, and the Auto Marine Terminal is exclusively for vehicles, the remaining five are dedicated container facilities (the Port Elizabeth, Port Newark, Howland Hook, Red Hook and Global Marine terminals). Moreover, as McCalla demonstrates in Chapter 7, since these container terminals were established it has been standard practice to increase their capacity in various ways – especially by extending the stacking area, by adding additional berths and by investing in more cranes.

The consequence of this long-term programme of relocation and investment has been to ensure that the supply of handling facilities has kept ahead of demand. In 2000, for example, New York's potential container throughput (approximately 4 million TEU) was used to 75 per cent of capacity. This was the case even though the growth of containerized traffic between 1995 and 2000 exceeded the combined growth of all competing ports of the North Atlantic. Handling facilities were not restricted, despite the fact that New York received the largest number of container ship calls in the United States and had consolidated its position as the country's third-largest container port.

The PANYNJ, the port and the future

Evidence of the PANYNJ's continuing commitment to the port, despite its other varied interests, comes also from future plans. In the port system generally, the global and regional forces dictating change will continue to impact at the local level (Slack 1994; McCalla 1999). Given this reality, the PANYNJ

recognizes that the major challenge is to continue to upgrade facilities to meet the needs of port operations in the early twenty-first century. Above all, the goal is to enable container traffic to realize its potential and double to 6 million TEU by 2015. Consequently, in 2000 the PANYNJ committed \$1.8 billion for port redevelopment under a five-year plan, encouraging local marine operators to commit another \$500 million in marine terminal investments. Targets of this new investment are mainly added terminal capacity, dredging and improved access to inland transportation (O'Neill and Moss 1998).

Capacity expansion is proceeding on two main fronts:¹¹

- *Howland Hook.* This terminal closed in the late 1980s when its user, the container shipping line United States Lines, went bankrupt. In 1996 it was reopened, extending the operational capacity of the Port of New York by about 500,000 TEU per year. Already the terminal handles about 20 per cent of the port's total cargo, and is being expanded by the addition of a 124-acre (50-ha) site to increase freight-handling and warehouse space.¹² By 2006, Howland Hook's capacity will have been doubled to 1 million TEU per year, or about 25 per cent of all container traffic. Because this added transshipment traffic would clog the already highly congested highway system of Staten Island, the upgrading of rail connections and on-dock rail services is under way to mitigate this problem. Eventually, however, growing pressure could force the construction of a new crossing to New Jersey, next to the Goethals Bridge. While the main purpose of developing Howland Hook is to ensure port – and thus regional – growth, its position in the State of New York also makes it a political 'equaliser' in the distribution of port activities in the metropolitan area (Figure 4.4).
- *Port Elizabeth.* Port Elizabeth, which handles about 60 per cent of containerized traffic, will be extended into a new 350-acre (142-ha) terminal with 6,000 ft (1,800 m) of berthing linked to a 70-acre (28-ha) on-dock express rail facility. This should be ready in 2004. This terminal offers the only double-stack rail link within the PANYNJ, and is thus a high-priority investment. Once completed, the rail-to-ship capacity should be able to transship about 1 million containers per year. Maersk-SeaLand, the world's largest container shipper, is mainly based at Port Elizabeth. Although this company's decision in 1999 to maintain New York as its east coast hub partly reflected the perception that the port is now cost-competitive with other Atlantic ports, it also acknowledged Port Elizabeth's continuing growth potential.

Planned channel deepening reflects the worldwide driver that, as the global container fleet is upgraded with larger ships, major ports face the challenge of accommodating deeper vessel draughts (Slack 1994). While a typical Panamax container ship could be accommodated by a 35-foot (10 m) channel, the new generation of post-Panamax vessels – carrying between 4,000 and 5,000 TEU – requires a channel depth between 42 and 52 ft (13–16 m).¹³ New York's

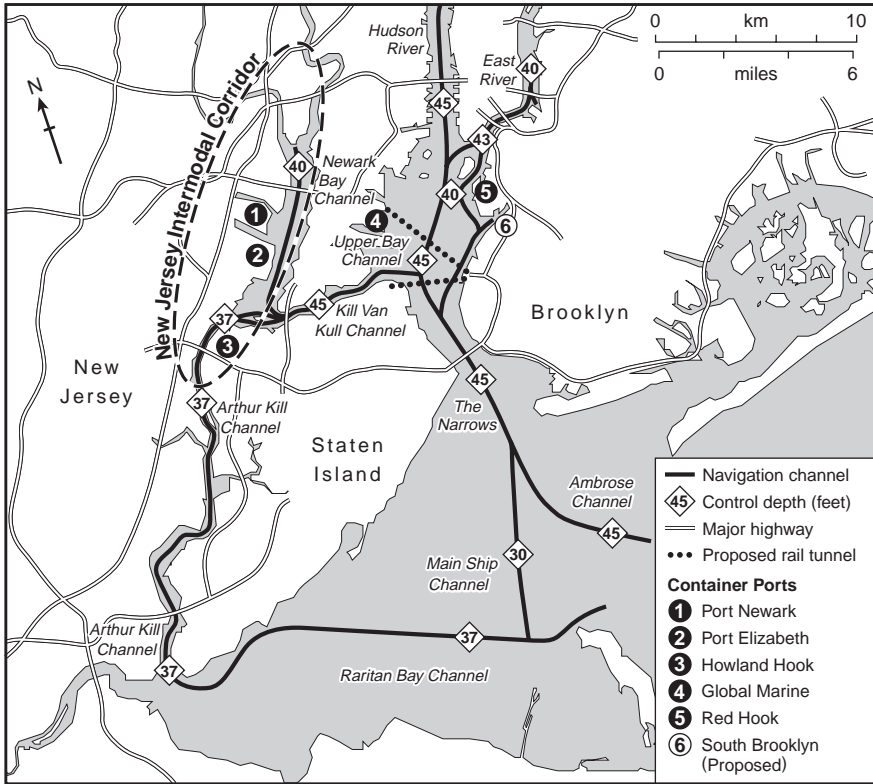


Figure 4.7 Intermodal facilities and navigation channels of the Port of New York, 2003. (Source: Bureau of Transportation Statistics (2003)).

late-1990s clearance of 40 ft (12 m) for its container terminals was consequently a threat, especially as several North American ports already had better access (Figures 4.7 and 4.8). Channel deepening has thus become an important issue relating to the port's ability to keep and enhance its containerized traffic. This was emphasized in July 1998, when the newly merged Maersk-SeaLand company was negotiating with the Port Authority over its choice of New York as its east coast container hub, and brought pressure to bear by arranging for the post-Panamax container ship *Regina Maersk* to call at Port Elizabeth half-empty. Fully loaded it could not have navigated the Kill van Kull channel linking Port Elizabeth with New York harbour.

From this chapter's perspective, the PANYNJ's most significant response to the *Regina Maersk* episode was to include in its agreement with Maersk-SeaLand a clause undertaking to deepen the Kill van Kull to accommodate the shipping line's new fleet of post-Panamax container ships. As early as 1999 the Army Corps of Engineers¹⁴ started dredging work on a 45 ft Kill Van Kull

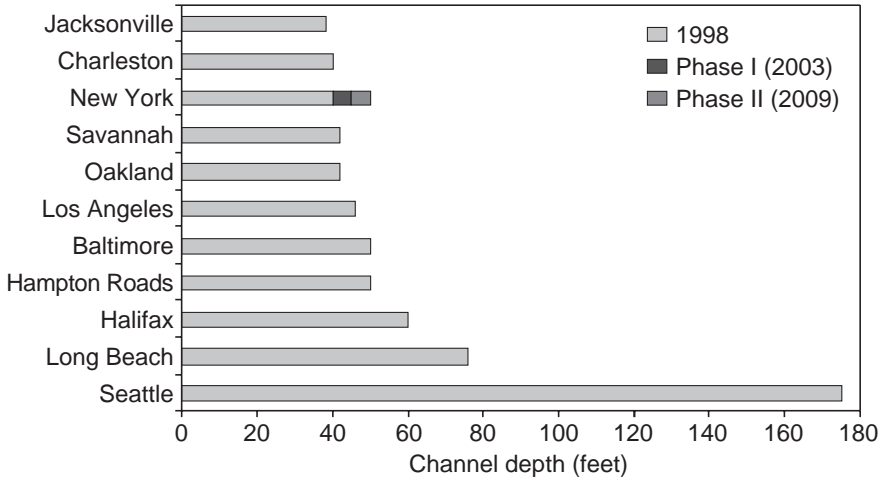


Figure 4.8 Channel depth at selected North American ports, 1998. (Source: adapted from O’Neil and Moss (1998)).

channel costing \$700 million and completed in 2003. But in 2001 the PANYNJ went well beyond this by accelerating and expanding the dredging project. Plans now envisage a depth of 50 ft (15 m) for the whole harbour access channel,¹⁵ and an improved depth of 41–45 ft (30–30.5 m) in the approach to the Howland Hook terminal (compared with the current 37 ft (11 m)). This work is expected to be completed by 2009, with dredging costs of around \$1.8 billion, of which about 50 per cent is to be provided by the Port Authority.

In addition to terminal development and sea access improvements, the PANYNJ’s continuing commitment to the port may be tested by its land transport proposals. Here the essential background is the problem of intra-urban movement by road and rail. Since 85 per cent of containers bound for the port are carried by 15,000 truck movements each day,¹⁶ local accessibility to marine terminals is a fundamental issue. The problem is further exacerbated by congestion and very high local transportation costs, which are on average 30 per cent higher than in other US metropolises. Freight movements across the harbour are limited by two bridges, George Washington and Verrazano, handling crossings of more than 30,000 trucks per day. One survey found that it costs roughly the same to move a container by truck from Port Elizabeth to Manhattan (straight distance 1.5 miles (2.5 km), although the truck must go via the George Washington Bridge) as it does to go from Connecticut to Ohio (a distance of 500 miles (800 km)) (Holguin-Veras and Paaswell 2000). Moreover, road congestion is expected to increase by 50 per cent by 2020 (NYCEDC 2000).

The conclusions to be drawn from the Port Authority’s response are admittedly mixed, even though it has widespread jurisdiction over key road and rail

infrastructures. Recognising the road congestion drawback in inland accessibility, the PANYNJ has for some time been attempting to promote better intermodal rail connectivity. Not all these efforts have yet borne fruit, particularly in relation to the major problem of cross-harbour rail accessibility between Brooklyn, where rail access is primordial, and New Jersey. On this route, traffic must either take a 140-mile (225 km) detour north through Albany or be floated by rail barges. The preferred solution is a cross-harbour rail tunnel, either from Greenville Yard in New Jersey or from Staten Island¹⁷ Figure 4.7; NYCEDC 2000). Additional attractions of this solution are that it would increase port capacity by supporting the construction of a major container terminal in south Brooklyn and – through modal diversion – would alleviate road freight movements between New Jersey and Long Island¹⁸. But this project is controversial because of very high construction costs (ranging anywhere between \$1.3 billion and \$2.4 billion) and poor terminal accessibility in Brooklyn. Consequently, as an alternative, further expansions of rail float barge services have been initiated (NYMTC 2001).

Elsewhere, however, progress in the promotion of local rail transport has been more concrete, especially at Port Elizabeth. In 1991 a 35-acre (14 ha) ExpressRail terminal, built by the intermodal freight operator Maher Terminals, opened. This offers direct doublestacking ship-to-rail and rail-to-ship transshipment capabilities, functions which grew at a phenomenal rate from 43,000 containers handled in 1992 to 228,000 in 2002. Although this facility is reaching the limits of capacity, a new terminal with improved truck and rail access opened in 2003 (PANYNJ 2001). It is now expected that rail's share of intermodal movements will climb to 25–30 per cent of transhipped containers by 2010, resulting in clear economic and environmental benefits for the locality (NYMTC 2001).

One final important initiative, launched by the Port Authority in 2002, must be noted: the creation of a Port Inland Distribution Network (Figure 4.9). This aims to relieve regional road congestion in the metropolitan area, expand port throughput, increase the efficiency of freight distribution, and favour inland development by using a set of inland rail and port terminals to handle containers (PANYNJ 2003). A wider market area should emerge, with about 82 per cent of the regional container market located within 50 miles (80 km) of the proposed terminals. The strategy is that at least some of the ocean-going container ships arriving in New York could be unloaded directly on to barges that would then be shipped to regional barge ports, such as Albany, Davisville, Bridgeport, New Haven, Camden, Salem and Wilmington. In addition, because the channel depth on the Hudson between New York and Albany is at least 32 feet (10 m) and available all year, a high-capacity lo/lo (lift on/lift off) container barge system could increase the port's market area in south-eastern Canada, particularly in Ontario and Quebec. Apart from the economic benefits, the modal shift achieved by diverting freight from road to water would bring environmental gains not only in the metropolitan area, but also in the wider region. Although the initiative is recent, an agreement to use the Port of Albany as the first regional freight distribution centre has already been signed.

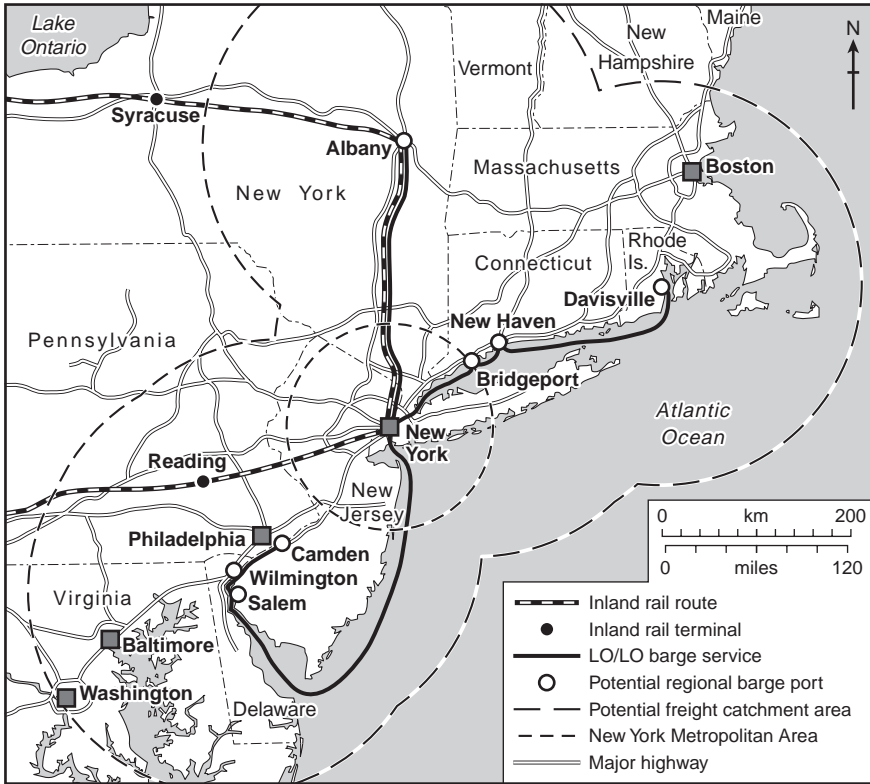


Figure 4.9 Port inland distribution network and regional ‘sub-harborization’ of container terminals by the Port of New York, 2003. (Source: PANYNJ (2003) and US DOT-FHWA Office of Freight Management (2003)).

Conclusion

The Port Authority of New York and New Jersey represents a unique example of port governance with vested interests in a wide range of activities ranging from real estate, road transportation and transport terminals (road, air and port). Because of its mandate, it has greater room for manoeuvre than most port authorities in the allocation of its development priorities.

The investigation has demonstrated that in spite of a diversified portfolio of activities dominated by air and road transportation, the PANYNJ has an enduring commitment to port development. Recent development projects underline this long-term commitment, as they mainly aim at improving the efficiency of regional freight distribution with added terminal capacity, channel deepening and improved access to inland transportation. The evidence gathered points clearly to the conclusion that the PANYNJ can be labelled an efficient example

of public port authority governance, despite the widespread neo-liberal view that effectiveness is best achieved through privatization. The following major factors behind the efficiency of the port's governance can be identified:

- *A regional focus.* The PANYNJ has been strongly embedded in the regional economy for over 80 years. There is consequently great coherence in coordinating regional development policies, as it is well placed to anticipate future transportation needs and provide a coordinated response. Although bi-state governance may trigger 'turf wars' in the geographical allocation of funding, the size of the PANYNJ's jurisdiction and the scope of its mandate enable it to mitigate these conflicts effectively. Comparatively, a private port authority tends to have a focus that is either too narrow or global.
- *A broad mandate.* A public authority such as the PANYNJ has the objective of promoting 'public good', which can be multi-dimensional (social and economic) in its interpretation. By its mandate, it is able to focus on a variety of projects, not necessarily port operations, which can serve regional development and provide additional revenue generation. Bridge tolls, for instance, insure a very stable revenue stream that can be allocated to support development priorities. PANYNJ's vast assets support the financing of ambitious projects with limited, if any, federal or state government involvement. The PANYNJ is able to capture revenue opportunities unavailable to other port authorities under a different governance regime.

It is acknowledged that the PANYNJ is an outcome of local political geography, which resulted in the creation of an entity that would otherwise have been unlikely to have exist. In this sense, its governance model has limited applicability to other port authorities. However, its success at continuously re-inventing itself and – most importantly – deploying its diversified mandate to serve the needs of the port, suggests that public-sector control continues to merit consideration as the reform of port authority governance is debated in the twenty-first century.

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Notes

- 1 New York's premier financial centre, the World Trade Center, belonged to the PANYNJ and was destroyed on 11 September 2001 by a terrorist attack. Although the final impact of this event on the Authority is as yet unclear, it is evident that it will be far-reaching. In addition to the loss of annual operating revenues of \$342 million and real estate valued at \$1.04 billion (2001 figures), the PANYNJ lost 74 employees, its head offices, the PATH rail station under the complex (ridership

65,000 people a day) and a power substation. Meanwhile, the airports and the port were closed for one week and PATH ridership was reduced on undamaged parts of the system. Overall, it was estimated that the authority's losses from the terrorist attack amounted to \$2.4 billion (Smothers 2001). It must be anticipated that these huge losses will have an impact on future port projects. However, the attack itself does not invalidate the basic aim of the chapter: to assess past performance and strategic intentions in order to determine the ability of a diverse publicly owned authority to prioritize the needs of the port.

- 2 While the PANYNJ is a vertically integrated port authority, the Marine and Port Authority of Singapore (MPA), probably the world's second-largest port authority, is integrating horizontally by building and contracting the management of container terminals around the world with a focus on China, the Middle East and Western Europe. In 2000 the MPA handled about 25 per cent of the world's container transshipment throughput.
- 3 The port still has this role, but changing migration patterns have made California and Texas prime gateways.
- 4 The problem of rail connectivity was to emerge much later, in the 1990s. The initial focus on road reflected a shift in priority in US land transportation development with the funding of regional and national (Interstate) highway systems. This shift accelerated in the 1950s.
- 5 Known at that time as New York International.
- 6 Congestion on these crossings is now a major issue because of the intensity of use.
- 7 Known as E-Zpass, these electronic tags are valid for all major tolls in the states of New York, New Jersey, Pennsylvania, Delaware, Massachusetts and Maryland.
- 8 The fourth airport, Teterboro, handled fewer than 200,000 passengers a year.
- 9 The Elizabeth industrial park, adjacent to the container terminal, is not a pure industrial development and was completed in 1997 with the addition of a giant IKEA store.
- 10 Hong Kong and Kaohsiung surpassed New York in 1986, Singapore in 1987, Pusan and Los Angeles in 1989 and Long Beach in 1993.
- 11 The PANYNJ is considering a third initiative: reactivating the South Brooklyn Marine Terminal. Currently used for storage and to handle some bulk cargo, the site could provide additional container capacity. However, it is seriously impeded by lack of space and accessibility to the highly congested local road network. Moreover, rail access to New Jersey is currently provided indirectly via a float barge system.
- 12 The land was purchased from Procter and Gamble.
- 13 Larger container ships are on the drawing board, including a 'Malacca-max' concept that could carry between 16,000 and 18,000 TEU. This would require a draft of about 69 feet (21 metres), and currently no port on the eastern seaboard could accommodate such a ship.
- 14 The Army Corps of Engineers is the sole agency authorized to undertake dredging projects in the United States.
- 15 Various environmental and technical problems arise from this project as a 50 ft (15 m) channel involves cutting into the bedrock at several points.
- 16 The national average for truck carriage is 44 per cent.
- 17 Proposals of this type are of long standing: construction of a rail tunnel has been under consideration by the PANYNJ and other agencies since 1936.
- 18 The prediction is that trucking trips would be reduced by 6 per cent.

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