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New hub for Asian imports? Expansion of Panama Canal seen as economic opportunity for Dallas

By Jim Landers, Washington Bureau

MIRAFLORES LOCKS, Panama Canal – Thousands of engineers and dredgers are coming here soon to begin expanding this famous Central American waterway. Along the way, they may also be building a new economic future for the city of Dallas.

Panama plans to add a deeper, wider third lane to the canal and dredge the two existing lanes so twice as much cargo can pass between the Pacific and Atlantic oceans. Panamanian voters approved the \$5.25 billion project in October, and hope for its completion by August 15, 2014, the 100th anniversary of the opening of the canal.

Once the work is done, more of the burgeoning Asian import traffic now entering through California can start heading to the Port of Houston, and then on to Dallas, where a rail hub is being developed to receive cargo, process it through Customs if need be, then ship it in special intermodal containers to destinations across America.

Before that can happen, planners have to figure out how tons of foreign cargo could be shipped from Houston to Dallas without clogging Texas highways.

It's a conundrum that isn't being helped by the fact that Fort Worth has its own cargo hub, or that Fort Worth-based Burlington Northern Santa Fe Railway is less than enthusiastic about trading its rail traffic running from California to Fort Worth for the much shorter trip between Houston and Dallas.

The stakes for Dallas are high.



A ship is pulled through the Esculsa de Miraflores section of the Panama Canal. Plans to expand the canal will allow bigger ships to traverse the waterway. (Bloomberg News)

Expand the Panama Canal, and Dallas could become "the economic hub of North America," said Dallas County Commissioner Maurine Dickey.

An inland port in Dallas County holds out the prospect of tens of thousands of jobs, new schools and college campuses, new homes, new parks and new wealth - all in southern regions of the city and county where residents have watched as economic good times passed just to the north.

"This is the real deal," said Thom Lauer, city administrator of Wilmer, a community south of Dallas.

"No more pie in the sky," added Oak Cliff real estate consultant Melissa Huffman, who likes the sound of jobs and new homes in South Dallas.

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And new cargo routes are needed. California ports now handling the load see a future trade tsunami coming. Container traffic at the Los Angeles and Long Beach ports is expected to quadruple by 2030. Those ports fear being overwhelmed by 845,000 containers a day, and they want help.

Shippers worried about longshoremen strikes and truck and rail bottlenecks also want alternatives.

Work in progress

Right now, the Dallas Logistic Hub is still very much a work in progress. Richard Allen, CEO of the Allen Group of San Diego and developer of the hub, has 6,000 acres just south of Interstate 20, bordered by Interstate 35E to the west, Interstate 45 to the east. Work has started on two distribution centers there. More are planned, including some that would cover nearly 70 acres, or 3 million square feet, apiece.

In these giant halls, retailers would sort through their imported merchandise. Customs officials would clear the goods, and work crews would break out batches for cargo airplanes, trucks or trains heading north and east. Dallas, already a regional transportation center, would become even more of a depot for North and East Texas, Oklahoma and Arkansas.

Union Pacific Railroad, based in Omaha, Neb., already has an intermodal terminal in Dallas handling international cargoes - one capable of loading and off-loading the containers that can go from cargo ship to railway cars to trucks - built over the last two years. BNSF has optioned land for one of its own.

Less than a mile away, Lancaster has a small regional airport with a 4,900-foot runway, which the Allen Group hopes to turn into a busy part of the hub.

The Federal Aviation Administration already has OK'd expanding the runway to 6,000 feet, said Lancaster Mayor Joe Tilotson. The city hopes to stretch that to 10,000 feet eventually and harden the runway surface so it can accommodate Boeing 737 cargo jets.

Though the ocean is more than 250 miles away, these freight-handling facilities - particularly the rail yards for intermodal containers - would turn Dallas into an inland port.

"Create an intermodal terminal, and you create oceanfront property," Mr. Allen explained.

Almost 2,000 miles separate the prairies of South Dallas from the rain forests of Panama. But the Dallas Logistics Hub could transform south Dallas County's fields of corn, beans and weeds into a world-class destination for goods traveling through the canal.

Instead of a voyage from Asia to California, ships scraping the sky with stacks of containers would sail through the bigger Panama Canal, across the Gulf of Mexico, to Houston.

From there, trucks and trains would carry hundreds of thousands of containers to rail yards and huge warehouses in southern Dallas County.

New ports being developed by others on the Pacific coast, including six ports in Mexico and Canada, could feed containers to Dallas as well.

But becoming the economic hub of a continent will require overcoming some old transportation rivalries.

Fort Worth could keep Dallas down in favor of its own inland port, Alliance Texas, run by Ross Perot Jr. The Dallas Logistics Hub may have better highway access, but Alliance got a head start.

Alliance, which opened in 1989, is envied by cities across the country. It already has 140 companies and 26,000 employees - and is still less than half finished.

Already, its developers managed to nearly unravel a crucial application for federal status as a foreign trade zone for the Dallas Logistics Hub. They came in at the last minute with a bid to add a 100-acre parcel in nearby DeSoto. The move, if successful, might have forced Dallas County and the participating cities to go through their own approval processes all over again.

"When it happens in South Dallas, personally, I would rather see that at Alliance," said Steve Boecking, a vice president with Alliance developer Hillwood Properties. "We're in business. We don't like to lose any deals. Our job is to not let that happen."

While Lancaster plans to lengthen its runway to 10,000 feet, Hillwood's Mr. Boecking said Alliance Airport, owned by the city of Fort Worth, wants to grow to 13,600 feet by 2015 or sooner. That would be long enough for a Boeing 747 cargo jet to fly nonstop from Fort Worth to southeast Asia year round.

Railroad rivals

Meanwhile, the major railroads serving Texas - Union Pacific and BNSF - have old rivalries with the Panama Canal.

The first railroad over the continental divide opened across the Isthmus of Panama in 1855. Prospectors chasing the California gold rush sailed to Panama, took the train across the isthmus, and then boarded another ship. A one-way train ticket was \$25 in gold. Those who could not afford the full fare could walk the tracks for \$5.

Once the ancestors of the UP and BNSF crossed the continental divide in the United States, travel across Panama faded.

These days, a bigger canal delivering Asian goods to Houston would cut into the railroads' lucrative container train traffic from California to Dallas, Fort Worth, Kansas City and Chicago.

"The predominant flow of trade into this country really is west to east, and we would anticipate that will continue," BNSF spokesman Pat Hiatte said recently. "There certainly still is capacity in the Los Angeles basin to accommodate more U.S.-Asian trade coming through those ports.

"Down the road, perhaps, there will be additional demand, but the bulk of that will probably be satisfied by other West coast ports," he said.

Already, Kansas City Southern, which is upgrading its service in Mexico to bring container trains up from the port of Lazaro Cardenas, plans to route containers to Houston, and then to Little Rock - bypassing Dallas - because of track restrictions imposed by BNSF and Union Pacific.

Clearly, Dallas needs rail to be part of the big picture, said Dallas economic development director Karl Zavitkovsky .

Panama's bigger canal won't mean as much to Dallas if super-sized container ships docking at Houston are unloaded onto tractor trailers instead of trains, clogging a strained highway system with tens of thousands more trucks. That could cause shippers to keep their freight on the water, sailing from Panama to Savannah, Ga.; Norfolk, Va.; or New Jersey and New York.

"For Dallas to benefit from expansion of the canal, for North Texas to benefit, we're going to have to get a freight rail solution between Houston and Corpus Christi and the Dallas area," Mr. Zavitkovsky said.

Vexed Texas transportation planners are scrambling to come up with plans to untangle the dozens of road and rail intersections leading from the Houston port and to find a way to put more containers on rails rather than highways.

One idea outlined by the Texas Transportation Institute, the research arm of the Texas Department of Transportation, is for unmanned electric container shuttles to move on rails laid down on highway median strips.

Farther south, the Panamanian piece of the puzzle is snapping into place. A \$450,000 contract with UT-Dallas to provide project management training for 150 canal executives and managers was completed in July.

"They are hell-bent that the project is finished by August 2014, to get that 100-year anniversary," said Jim Joiner, program director for the UT-Dallas project management team. "People do extraordinary things when they're really emotionally committed to them."

U.S. ownership of the Panama Canal ended by treaty in 1999. The Canal Authority had already started plans for expanding the canal two years earlier, at a time when it expected to run out of capacity by 2010.

Since those first plans were drafted, China has emerged as a manufacturing platform for companies around the world. About 40 ships a day now cross the canal, or 14,000 a year. Container ships nearly 1,000 feet long and 106 feet wide squeeze through the canal's locks with just two feet to spare on either side of their hulls.

"We had to expand," said Julio De La Lastra, president of the Panama Chamber of Shipping. "If one lane of the canal was closed for some reason, there would be chaos worldwide."

In Panama, shipping goes vertical. To cross the continental divide, a series of canal locks raise ships 85 feet before lowering them again on the other side. The container vessels squeezing through the locks have as many as 4,500 containers piled high on their decks.

Tugboats and squat locomotives toot their whistles and clang their bells as they guide boats so big they block out the sun. Recently, the British container ship CMA CGM White Shark, with a royal blue hull and upper decks loaded with more than 4,000 containers, paid \$271,458 in tolls to make the nine-hour voyage through the canal.

Once the canal is enlarged, ships carrying as many as 12,000 containers will be able to sail across the 50-mile waterway.

The Panama Canal Authority expects Houston and Dallas to play a big part in handling cargoes coming through. The Panamanians have signed joint marketing deals with both Texas cities; Dallas is the only inland city with such an agreement.

"We're not signing these agreements for the heck of signing something. We have mutual interests," said Rodolfo Sabonge, the canal authority's vice president for planning and marketing.

"Houston is an interesting gateway. Many of the principal retailers are established in Texas," he said. "And Dallas may have an important role because you have more area to devote to DCs [warehouse distribution centers]."

The Houston Ship Channel is deep enough to accommodate larger container ships, Mr. Sabonge pointed out, while many ports in New Orleans and along the East Coast can't handle them.

California's problems

The idea of Dallas as an inland port for Houston was the brainchild of Harris County Judge Robert Eckels. Houston port officials were watching the mounting problems in California, and wanted to get some of those Asian containers at their terminals without having too many pile up on the docks.

More than \$300 billion worth of Asian merchandise now stops short of the canal, going instead through the side-by-side ports of Los Angeles and Long Beach, Calif.

Once a container ship docks in California, gigantic cranes put the containers aboard trains and trucks. Customs inspectors clear some of them on site; others are bonded to inland ports hundreds or thousands of miles away.

Trains carrying around 260 containers double-stacked on railway cars leave the California docks heading straight for Texas every day. Once they reach the Dallas and Alliance terminals, the containers are offloaded onto trucks that will take them to distribution centers, or directly to stores within a 200-mile radius.

The Dallas terminal loads or unloads about 1,600 trucks a day; the Alliance Texas terminal, twice as many.

At Alliance Texas, some high-priority cargo is loaded aboard large jets for faster delivery, something the Allen Group hopes Lancaster's airport will one day allow it to do.

Without inland ports to help, Los Angeles and Long Beach will have trouble handling the 44 million

containers forecast to reach their ports by 2030. Even with such assistance, "They'll still have all the bubble gum they can chew," said Mr. Boecking.

"But if these other ports don't develop, then all those containers are going to have to go to L.A. and Long Beach," he said. "You'll have poor service, ships backed up, and pretty soon the whole house of cards tumbles down."

Supporters of a Dallas port say it's too important to fail.

The feared highway congestion between Houston and Dallas is, at its worst, several years away, Mr. Allen says, and won't become a problem if new toll roads roll out across Texas.

As for the railroads, Ms. Dickey predicts they will come aboard because of the profit potential. And Alliance will not stand in the way because "we all know there's business enough for both of us," she adds.

"This is really the economic future of Dallas," she said. "It's the biggest revenue generator we'll have."