By Joseph Bonney

# PORT FREEPORT'S AUTO DRIVE

## Seeing ample room for expansion, Hoegh Autoliners chooses the Texas port for U.S. imports and exports

**THE ASPHALT PAVING** is fresh and the painted lines still crisp at the automobile terminal at Port Freeport, Texas, where rows of new General Motors sport utility vehicles sit in neat lines awaiting export.

The terminal 60 miles southwest of Houston began operations in June 2015 but didn't open fully until November. Now Port Freeport is a regular stop for Hoegh Autoliners. The port in mid-September is scheduled to receive a call by the first neo-Panamax car carrier that Hoegh will send through the Panama Canal's new, larger locks.

"We view Freeport as a gateway for Texas and the surrounding states. Automakers have traditionally used the East and West coasts as gateways," said Shane Warren, Hoegh's head of region Americas. "We see that the Gulf could provide savings for them, not only on costs but on time."

Hoegh has contracts for about 80,000 automobiless — about 60,000 for export and 20,000 for import — and is looking for more, said Per Folkesson, president of Hoegh subsidiary Horizon Terminal Services. Port Freeport's exports are primarily from a GM plant in Arlington, Texas.

The terminal has capacity to handle about 150,000 vehicles a year with its current 100 acres. A phased-in expansion is planned for another 100 acres, in increments of about 20 acres at a time. Completion of the first phase would increase capacity by about 55,000 vehicles a year. Build-out of the full 100 acres would boost annual capacity to slightly more than 500,000 vehicles.

Availability of land for expansion was part of the reason Hoegh selected Freeport, Folkesson said. Port Freeport has ample room to expand. There's space for another 50 acres beyond the 100 acres already targeted for expansion, although Folkesson said that's unlikely for the foreseeable future. "Realistically, I don't think we're going to need more," he said.

Export demand is limited by automakers' plant locations. Imports are limited by the region's potential for auto sales. U.S. auto sales have boomed since the end of the recession and aren't likely to keep rising forever.

Freeport is one of three Texas auto ports in proximity to each other. Houston has long handled shipments for automakers such as Volkswagen. At nearby Galveston, BMW this year opened an auto import terminal in conjunction with Wallenius Wilhelmsen Logistics.

In addition to auto shipments, Texas ports offer sizable volumes of project shipments, largely related to oil and gas, and import and export shipments of heavy equipment.

The new Freeport terminal has separate processing centers for vehicles and heavy equipment, which helps simplify operations. "You don't want to drive heavy equipment into a facility where you are processing autos. That's never a good combination," Folkesson said.

The strong dollar and a slowdown in the Middle East and other areas affected by soft commodity prices has slowed volumes of project and high and heavy shipments from the Gulf. "That market is likely to remain challenged until the price of oil stabilizes," Warren said. "When the income is largely from oil and prices are down, they start putting the brakes on infrastructure projects. We specifically see that in markets like Saudi Arabia."

Some cargo is still moving for major projects that were commissioned several years ago and are too important or too far along to be canceled. But many projects in the planning stages have been put on hold until circumstances change.

Used heavy equipment continues to be an important export cargo from the Gulf, as are crane, excavator and other machinery imports from the Far East to Texas and other states as far as the Midwest.

Hoegh's primary routes from the U.S. Gulf and East coasts are to the Middle East, followed by a largely empty voyage to Asia, where ships are loaded with vehicles. "With the Middle Eastern market down, it creates a huge imbalance," Warren said.

A fast-emerging development is the short-sea shipment of autos from Mexico to the U.S. East and Gulf coasts. Most Mexican shipments to the U.S. still move by rail, but roll-on, roll-off carriers are making inroads, aided by shipper concerns about delays, theft and damage during land shipments. JOC

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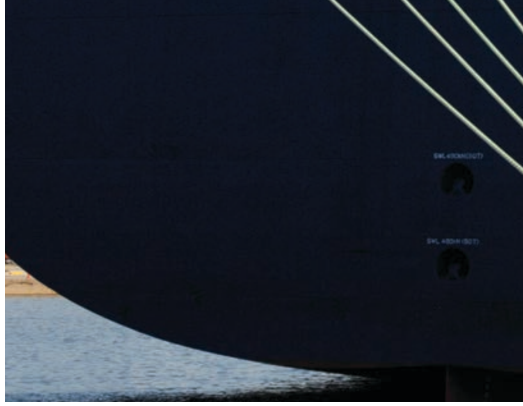

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# RO-RO GROWTH STRAINS PORT CAPACITY

## Automotive interests press for efficient planning by supply chain partners to help ports keep up with volume

**GROWTH IN VEHICLE** shipments is straining capacity at some North American roll-on, roll-off ports and spurring calls for improved efficiency and more predictability. "For the supply chain to work in harmony, you need predictability," said Per Folkesson, president of Horizon Terminal Services, a subsidiary of Hoegh Autoliners. "Without predictability in the supply chain, it's hard for all of the actors to be efficient."

Vehicle ports face many of the same problems confronting container shipping: bigger ships dropping larger volumes on a single call, bunched arrivals of off-schedule ships, and ever-increasing demand for storage space at or near terminals.

Automakers have different strategies that often are driven by accounting considerations that contribute to an unpredictable flow of vehicles between plant and port, Folkesson said.

To meet company financial targets, some manufacturers ship a disproportionate volume of production early in a quarter. Others wait until the end of the quarter to send out most of their cars. A steadier flow would help the entire supply chain, Folkesson said.

"When you get bunched deliveries during