Note

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PORT SERVICE INDUSTRIES: THE CASE OF MONTREAL

by

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ABSTRACT

Ports generate significant benefits to local economies. Most major port cities have an important tertiary sector of port service industries. The nature, scale and geographical location of this industry is poorly understood however. This study describes the character and evolution of Montreal's port service industry. It analyses the locational determinants of a wide range of activities that are marine related, and discusses the patterns that are evolving as a result of developments in shipping technology and changing urban patterns.

KEY WORDS: Port service industries, locational characteristics, Montreal.

RÉSUMÉ

Le Tertiaire Maritime: Le Cas de Montréal

Les ports engendrent des bénéfices substantiels pour les économies locales. La plupart des villes portuaires ont développé un secteur tertiaire relié aux industries portuaires dont on méconnaît encore cependant la nature, l'envergure et l'implantation géographique. La présente étude vise à décrire le caractère et l'évolution de l'industrie portuaire de la ville de Montréal. L'auteur y analyse les facteurs géographiques qui déterminent un vaste éventail d'activités maritimes et évoque les nouveaux schèmes résultant de l'évolution des techniques d'expédition et des modèles urbains.

MOTS CLÉS: Le tertiaire maritime, caractéristiques géographiques, Montréal.

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This paper will describe some of the attributes of port service industries and in particular their geographical characteristics. This industry may be defined as those private businesses and public institutions of the tertiary and quaternary sector that exist to facilitate shipping operations. While there may be a general acceptance of this definition of the industry, there have been few studies which have examined the types of businesses which comprise it. Yet the port service industry is of considerable importance in influencing the efficiency of port operations, and its vitality might be a factor in bringing about diversions of cargo from other ports. Furthermore the industry can be an important urban activity, generating employment, and making significant contributions to the port city economy.

This overview of the port service industry will be based upon research undertaken over a number of years in Montreal. While the port of Montreal may not be the largest Canadian port tonnage-wise, it is by far the nation's leading general cargo port, with a container traffic that places it third in North America. The port has given rise to a large service industry, and because the economy of Montreal is undergoing a major structural change, most notably through the loss of head office jobs to Toronto, the port is being looked upon by local politicians as vital for the future prosperity of the city.

Geographers and transport economists have long recognized that ports generate important benefits to the local economy. There have been a large number of studies undertaken, mainly in the U.S., that have attempted to quantify these impacts (Port of Seattle, 1971). Most frequently the studies have determined the dollar benefits based upon some rule of thumb guidelines, that for each ton of commodity x, y dollars are generated. Naturally the dollar benefits for handling one ton of general cargo greatly exceed those of handling one ton of bulk cargo. The British transport economist R.O. Goss has recently criticized this methodology and conclusions (Goss, 1979). Accusing most of the ports that have undertaken such studies of boosterism, he notes that their obvious conclusions are that ports should become less efficient, should encourage ships to stay longer in port, and resist containerisation.

While there is some dispute over the methodology of measuring the economic benefits of ports, no one can deny that these benefits exist. Ports are focii of a multitude of links with the local city economy. For the most part, the links that have been studied most intensively are those between the port and the local manufacturing sector. These links are very noticeable, and are based upon the physical flows of goods. The dependence of certain manufacturing types and ports has led to a large body of literature on MIDAS, the concept of which has now become an accepted part of regional planning (Tekel, 1974).

Far less evident in the literature are studies of the links between the port and the local service industry. This is undoubtedly due to the complexity of the links and the diversity of the enterprises that are included in the port service sector.

Dunning and Morgan's study of London is one of the few inquiries that have been undertaken (Dunning and Morgan, 1971). These authors restrict their analysis to the shipping companies and insurance brokers, ignoring many other types of service industries.

This research, focusing on the port service industry of Montreal, begins by describing the main characteristics of the companies that comprise the sector. A very complete port directory is published annually by a local business press (Anchor Press). It lists approximately 1 000 companies representing 108 types of businesses. Many of those businesses are what one would expect to fall in the category of the port service sector, such as steamship companies, but others listed are less obvious, lawyers, for example. Herein lies a basic problem in dealing with the industry, it is a subset of the much larger service sector, with many businesses benefitting from port activities, but maintaining links with other clients as well.

A questionnaire survey of the companies listed in the directory had been undertaken by this author in 1975 (Slack, 1975). It provided a first stage description of the characteristics and complexity of the industry. All companies in the directory were contacted and a 23% response rate was elicited. The initial stage of the survey revealed one of the basic features of the industry. Many companies perform a number of different functions and overlap a number of the industry categories. It was very common to find the same company serving as a shipping broker, a steamship agency, and a freight forwarder for example.

A prime characteristic of the industries listed in the directory is the small size of the companies. The median number of employees per company was 17, and the median floor space occupied was 3 900 square feet. There was however great range in the size of the companies. This is reflected in the means : an average of 94 employees per company and 78 200 square feet of premises. The overall size of the industry may be gauged from the total employment represented by the companies responding to the questionnaire : 20 377 employees, occupying a floor space exceeding 15 million square feet. It may be remembered that these totals are based upon a 23% sample, and therefore provide a general idea of the size and importance of the port service industry to the local economy.

Follow-up studies have shown that typically these small businesses comprise 20% managerial, 60% office, and 20% other job classifications (drivers, messengers, etc.). The companies indicate considerable optimism over their future prospects, on average estimating that their 1985 employment projections will be 26,3% greater than their 1981 totals. Given the fairly depressing picture in Montreal's other tertiary and quaternary sectors, this optimism must be considered rather unique.

As most of the companies are small, it is not surprising to learn that most benefit from agglomeration economies. When asked to rank a number of locational determinants, proximity to other companies in the port service industry was first choice. Proximity to the port emerged as the second most important locational factor, with proximity to suppliers, downtown and expressways being of lower significance.

By far the most important method of business communication was the telephone, with over half the respondents indicating it was their most frequent mode. Much lower importance was given to personnel and mail contacts. Not surprisingly, given the service nature of the industry, movement of goods ranked lowest.

Besides the smallness of the companies, the second most distinctive characteristics of the service industry was its locational mobility. Over half the companies had occupied their present premises for less than nine years. For nearly two-thirds of the respondents, their present address was not the original site of their company in Montreal. Five percent of the original questionnaires were returned unopened because the company had moved or had gone out of business. This shows that although agglomeration economies may be an important locational factor, the industry as a whole has a propensity to change premises frequently and easily.

The range of industries listed in the port directory is very large, and clearly some are more port related than others. The questionnaire sought to ascertain the proportion of total business activity that is marine related. A bi-modal distribution was revealed. Twenty-five percent of the companies indicated that marine activity accounted for less than 4% of total business, whereas 26% of the companies replied that at least 99% of their business was marine related. There are thus varying degrees of intensity in the port service sector. As has been mentioned already, the industry represents but a subset of the total tertiary sector of the city. By identifying the industries for whom marine activity accounts for at least 50% of total business, we may isolate the core of the port service sector. Table 1 lists these industries and reveals a range of great diversity.

Table 1

Business for which marine business accounts for over 50 percent of total business activity

cargo surveyors	marine surveyors
chandlers	material handling equipment
chemical companies	naval architects
classification societies	navigational aids suppliers
customs brokers	office suppliers
divers	rope companies
electrical repair companies	railroad companies
freight forwarders	steamship agents
fork lift truck companies	steamship brokers
grain dealers	steamship companies
importers	stevedores
marine contractors	tarpaulins
marine equipment suppliers	taxis
marine insurance	weighers
marine paints	

Source: 1975 questionnaire survey in B. Slack, « Harbour Redevelopment in Canada », Ministry of State for Urban Affairs, Queens Printer, Ottawa.

The location of the port service industry is clearly a matter of great geographical interest. Several of the locational determinants have been ascertained, and it could be expected that because of its mobility, the industry would react swiftly to external changes. In Montreal there have been two major forces of change, the relocation of both the C.B.D. and the port.

The geographical shift in location of Montreal's C.B.D. from Old Montreal to a focus on Dorchester Boulevard has been well documented (Taylor and Barlow, 1981). Essentially the commercial core of the city has moved away from the river and the port, towards Mount Royal. This shift can be dated fairly precisely to the early 1960's, when major city centre renewal projects led to the creation of new office space along Dorchester Boulevard. Thus Montreal now has an older residual commercial area in Old Montreal, while the vast majority of office space is concentrated in the new « uptown » area.

The relocation of port activity downriver from the Upper Harbour dates from the same period, but has taken longer to be established. The effect has been to gradually focus activity away from the Upper Harbour, which is now virtually devoid of shipping, with the overwhelming majority of cargo transfers being effected at new quays downriver. If anything, the trend downriver accelerated during the 1970's with the newer container terminals being established in the eastern-most sections, and the Upper Harbour being turned over for urban redevelopment (Slack, 1981).

The changes in the location of Montreal's office industry and the relocation of port activities could have been expected to have had a significant impact on the port service industry. To test the locational reaction of the industry, a sample of eight business types from the list of the most dependent port service industries were selected. Their locations were determined for six 5-year periods from 1955–1980. The proportions of the businesses in three geographical zones : Old Montreal, the new C.B.D. and the rest of the C.M.A., were tabulated and are displayed in Table 2.

Table 2

Locational dynamics of Montreal's Port Service Industry 1955-1980

	1955	*1960*	*1965*	*1970*	*1975*	*1980*
% located in Old Montreal						
chandlers	67	56	60	64	73	72
ship brokers	71	62	71	91	83	69
freight forwarders	84	80	83	80	85	63
customs brokers	89	86	93	93	97	81
weighers	80	88	82	85	73	62
marine equipment	43	46	50	46	32	23
steamship agents	77	84	81	86	84	75
stevedores	86	69	78	88	76	73
% located in the C.B.D.						
chandlers	0	13	13	9	0	4
ship brokers	29	33	26	9	17	26
freight forwarders	3	9	7	2	0	8
customs brokers	3	8	5	5	0	4
weighers	20	12	18	15	13	23
marine equipment	22	20	16	11	6	1
steamship agents	23	14	13	10	10	19
stevedores	0	8	6	0	10	10
% located in C.M.A.						
chandlers	33	31	27	27	27	24
ship brokers	0	5	3	0	0	4
freight forwarders	13	11	11	18	15	28
customs brokers	8	5	2	2	3	14
weighers	0	0	0	0	13	15
marine equipment	35	34	34	43	61	75
steamship agents	0	2	6	4	6	6
stevedores	14	23	16	12	14	15

From: «Montreal Port Guide», Annually, Anchor Press, Montréal and C. Adam, «Locational Mobility in the Montreal Port Service Industry», unpublished undergraduate thesis, Concordia University, 1978.

In 1955 the overwhelming majority of the business with the exception of marine equipment suppliers, were located in Old Montreal, then the heart of the C.B.D., and in close proximity to the port. By 1980 the pattern had not changed significantly. The degree of concentration in Old Montreal had weakened somewhat, but again, with the exception of marine equipment suppliers, at least two-thirds of all other businesses were still located in Old Montreal. Significantly, very few of these port service industries have moved to the newer core of the C.B.D. Relocation out of Old Montreal has tended to be focused in locations elsewhere in the Census Metropolitan area.

These results are surprising. For an industry that exhibits great locational mobility, with individual companies changing address with great frequency, such regional stability is unexpected, especially considering the major changes that were occurring in the city and the port over the same twenty-five year period. Montreal's port service industries, at least those businesses most intimately tied to the port, remain agglomerated in a distinct part of the downtown area.

Two main reasons for the stability of the agglomeration may be put forward. For some industries it is important to be in close proximity to certain institutions. The Customs House in particular acts as a magnet for the customs brokers, and the agglomeration economies spill over to affect other companies in the shipping industry. Montreal's Customs House remains in Old Montreal, even though it has become further and further removed from the centre of port activity. It has had a major stabilizing effect on the location of the entire industry therefore. A further factor that has been elicited from a recent questionnaire survey is that because most of the companies are small, they cannot afford the high rents of the uptown office complexes (Bazinet and Slack, 1981). The converted buildings of Old Montreal offer space that may not meet modern office design norms, but at least is available at modest rentals. Thus although companies tend to move at fairly frequent intervals, they rarely move out of the region where space is available relatively cheaply.

These findings represent only a preliminary assessment of an important service industry type. The success of the port of Montreal is based in part on the availability of a wide range of services that are attractive to shipping companies and shippers alike. In turn the port city's economy benefits from this diverse service sector. Further research must identify the factors conducive to its growth, the nature of the linkages between the companies, and its overall magnitude. It is clear however that the economic benefits conferred on urban economies by the tertiary sector are very significant, a factor that has been virtually ignored by port planners and urban planners alike. They have tended to focus more on the multipliers in manufacturing, when the health and vitality of the service sector must be a matter for considerable attention and concern.

NOTES

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