Shippers Association Reports Port Congestion

Special report from the National Customs Brokers & Forwarders Assoc. of America Shippers Assoc. (NCBFAASA).

Imports moving through the Southern California ports of Long Beach and Los Angeles are at record levels. The harbor is starting to look like it did when West Coast ports were shut down for more than ten days during the 2002 port lockout. There are about 60 ships in port each day, with about half forced to wait at anchor for at least a day until they are assigned a berth.

Due to a labor shortage, terminal operators are faced with a no-win situation of switching their manpower between vessel operations and container yards. The congestion is reaching a point where some importers are converting ocean cargo to air freight to meet their holiday shipping schedules. Even an optimist finds it hard to see how the congestion will diminish before December. Pessimists are saying it will be February before the harbor can get back to normal. Some amount of congestion is expected this time of year.

What is different about this peak season? Why are there so many problems? Industry experts cite a number of reasons starting with the failure of the rail network. The congestion can be traced back to the early delays and equipment shortages experienced on the intermodal rail network. Nearly 6 million TEUs are handled via the rail either by mini-landbridge service or containers transloaded into domestic containers and trailers.

Union Pacific (UP), one of the two major railroads serving West Coast ports, is still experiencing severe congestion problems. The other major railroad, BNSF, has benefited by UP's problems but their capacity is limited. Although their network has remained fairly fluid throughout the peak season, they have been forced to ration capacity to keep from being overbooked.

To complicate matters, by June there was a tremendous shortage of longshore labor. The terminals hired and trained 3,000 longshoremen, but only 250 to 300 can be added each week. Even with the new hires, terminal operators cannot fill all of their labor needs. According to the Marine Exchange, most vessels must sit idle for six or seven work shifts, or at least three days, before they are assigned labor.

The trucking situation at the terminals has reached critical mass. It has become common for truckers to experience long delays at marine terminals. Truckers are waiting four or five hours to pick up their designated container. Further, there are times when the terminal will temporarily close sections of the terminal. Truckers are forced to wait long hours, only to find out their container is in the section that is temporarily closed. When this occurs, terminals try to convince truckers to pick up another container.

Importers are so desperate for their shipments, they pay the trucker additional money to wait for that section of the terminal holding their container to reopen. Many truckers are becoming fed up with the delays in the harbor and are quitting. This is only going to further compound the labor shortage.

Cargo volumes are exceeding industry analysts' projections by a staggering margin. During the 2003 summer-to-fall peak season, Los Angeles-Long Beach handled about 550,000 to 600,000 loaded inbound TEUs a month. This year, the ports reached those monthly volumes in March. During the summer, volumes topped 620,000 TEUs a month. September figures have not been released, but the volumes are expected to be substantial. As far as October, there appears to be no relief in sight. October is expected to be the busiest month on record.

Bypassing West Coast ports by utilizing carriers' all-water services is one way to avoid the congestion. Many premium service carriers are offering all-water services that are only four to seven days longer than their landbridge services.

There is one big hurdle to overcome prior to routing the cargo...space! All-water strings are full. The majority of the space has been allocated to large retailers such as Wal-Mart and Target. Carriers are much more inclined to allocate space to importers willing to provide "year round" business.

Some importers are able to divert containers away from Los Angeles-Long Beach to less congested ports of Oakland and Seattle. While Oakland has recently developed its own congestion problems related to the rail network, Seattle has proven to be a viable option for cargo moving to the Midwest and East Coast. Carriers and importers have too much invested in the Southern California gateway to allow for a significant number of "full" vessel diversions.

The remainder of the peak season is shaping up to be one of the most challenging times for the entire shipping industry. Importers should investigate all options available to move their cargo from Asia to United States distribution centers.