



February 2, 2015

Dear Valued customer,

## **Latest News Reports: West Coast Port Congestion**

### **West Coast Port Snarls Will Take Months to Unwind**

The labor dispute that has magnified snarls at U.S. West Coast ports may be on the brink of a settlement, but it will take months to end the widespread pain, freight disruptions, and losses caused by the massive cargo traffic jam. The near-paralysis at the ports is rippling through the economy. Railroads are reducing service to the West Coast. Cargo ships have slowed down—and even turned around—as containers have stacked up at the ports. And an official of a meat-industry trade group said last week that port gridlock was costing meat and poultry companies more than \$30 million a week. Tuesday, 19 ships were anchored in the bay outside the ports of Los Angeles and Long Beach, where about 95% of the total acreage was in use. The delays, congestion and fallout have cost “hundreds of millions to a billion” dollars in lost productivity and missed opportunities, said Jeffrey Werling, executive director at INFORUM/University of Maryland. “It’s eating away at productivity.” The congestion has worsened as global shipping companies have tried to increase their economies of scale. They are using larger cargo ships and sharing ships, which means cargo is often out of order for unloading. Moreover, the shipping companies, which used to own the trailer chassis used for moving cargo at the ports, recently sold them to leasing companies, which have had trouble deploying them where and when they are needed. All that has made it harder to load cargo, and has complicated labor negotiations. Containers are stacked about six high at the Port of Los Angeles, said Gene Seroka, its executive director. If a labor deal is reached and other solutions are implemented, it could take about eight weeks to get the port back to

**Atlanta, Chicago, Houston, Los Angeles, Miami, Oakland, Red Bank NJ, Seattle  
Phone 800 624 7447 · Website [www.seashipping.com](http://www.seashipping.com)**



normal, he said. It appeared on Tuesday that the International Longshore and Warehouse Union, which represents the 42,000 West Coast port workers, and the Pacific Maritime Association, which represents port employers, could be near a final contract. They had resolved a key sticking point: workers will continue to inspect chassis, despite the ownership change, said a person familiar with the talks. Several issues remained on the negotiating table. The labor contract, negotiated by the parties every six years, expired July 1, but the systemic changes in the way cargo is processed through the ports have made it more difficult to reach a new agreement. But a labor deal wouldn't do much to help Neely Mallory III, president of Mallory Alexander International Logistics in Memphis, who said he has 170 import containers and 850 export containers sitting at the docks at the ports of Los Angeles and Long Beach that won't load this week. The twin ports together handle about 40% of the U.S.'s containerized freight. Mr. Mallory is having trouble getting railroads to take loads west from Memphis, Dallas or Chicago, because they are reducing service to the ports until the congestion clears. He can't arrange to export more than 10,500 containers of cotton. Last Friday, a ship due in with imports for his customers gave up, he said. It will avoid the U.S. for 30 days. "It's devastating," he added. Companies have been scrambling to redirect shipments via other ports, truck, rail and even air. International trade economist Jock O'Connell estimates that international air-cargo tonnage into the San Francisco International Airport rose 28% in December from a year earlier. (via [wallstreetjournal.com](http://wallstreetjournal.com))

Regards,  
*Sea Shipping Line eNews*

**Atlanta, Chicago, Houston, Los Angeles, Miami, Oakland, Red Bank NJ, Seattle**  
**Phone 800 624 7447 · Website [www.seashipping.com](http://www.seashipping.com)**