

PERSPECTIVES & PROSPECTS

As everyone is aware, the port complex for the Ports of Los Angeles and Long Beach have been experiencing severe congestion. Many in the trade community are focused on the cure coming from the PMA and ILWU finally signing a labor agreement. While that agreement is a critical part of any solution, the lack of it is only one piece of a far more complicated puzzle.

One major cause for the congestion and resulting delays is the severe chassis shortage in the port complex and the surrounding region. Recently the ocean carriers and terminal operators in the area stopped providing chassis with their containers. Instead, chassis are now supplied by independently-owned leasing companies. Put simply, the supply of chassis is not keeping up with the demand. Neither the ocean carriers nor the terminal operators expected the divestiture of chassis to happen so quickly. The stakeholders, including the ports, ocean carriers, and terminal operators, are working on ways to get more chassis into the system, but that will take time and is only partly impacted by the current labor unrest.

The way the process will now work is the chassis must be picked up from a different location (the leasing company) than the container, causing draymen to spend more time in the port and reducing the amount of containers they can dray in a day.

This situation is only somewhat impacted by the labor unrest due to the question about whether chassis are being properly declared unfit for use by the ILWU, but even if that practice stopped tomorrow, the lack of chassis is severe.

In addition to the chassis shortage, the arrival of the G6 vessels, which are carrying several ocean carriers' containers on each vessel, are coming in full - with many more containers on them than usual. Here, too, there are several factors at play. First, due to the increased number of containers on each, it simply takes longer to unload these vessels. Second, because these vessels are operated by multiple carriers, each vessel

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These factors, and the shortage of drivers, along with the unsigned labor contract between the PMA and ILWU have created a challenging scenario to which there are no easy answers.

ends up berthing at different ocean terminals, depending on which carrier's cargo is on board. There are also questions about whether these vessels are stowed in the most efficient manner.

A third factor, and perhaps the most important right now, is the fact the PMA and ILWU have not agreed on a new labor contract since 2014. The lack of a contract limits both the flexibility of both side to implement remedies to the above situations. For example, the port of Los Angeles has several plans that may relieve congestion: e.g., staging yards where chassis can be repaired on site at the port, staging yards where intermodal containers for on dock rail can be staged, and other resourceful ways to use available land in the port complex. Many of these measures, which could help alleviate congestion, cannot be executed until there is a labor contract between the PMA in the ILWU.

Finally, the current congestion is leading to a reduction in the number of truck drivers. These individuals simply cannot make a living if they can only move one shipment a day, and that is what is frequently happening.

Many service providers, and trade associations are taking steps to mitigate the effects of the port congestion on stakeholders

For import containers, some in the trade have been successful in negotiating reductions with the terminals of demurrage costs, but success is not guaranteed nor uniform across the terminal operators. For export containers, shippers have been forced to book regularly scheduled exports 6 to 8 weeks in advance. Many exporters have lost foreign customers due to the delays in being able to fill their orders.

All international trade associations have many, many specific examples of their exporter members losing business. Foreign buyers have already sourced what they were able to source from suppliers outside of Southern California and the US.

A massive increase of export transaction cost related to cargo as a result of the port congestion has made exports prohibitive from our region. Many ocean carriers are instituting congestion surcharges on all containers moving to US West Coast.

Given the complexity of the issues:

The DECSC supports the formation of a "gray" chassis pool, wherein all three independent leasing companies pool their chassis for common use, drop off, and pick up.

The DECSC supports and encourages an automated alert system to the ocean carrier terminals so they can have more visibility regarding the quantities of containers loaded on incoming vessels; if implemented this allows terminal operators to plan weeks in advance for the chassis demand.

The DECSC also supports a swift and successful conclusion to the negotiations between the ILWU and the PMA. We urge the parties to take full advantage of the federal mediator to reach a contract at the earliest possible opportunity.

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