

Ready for a cargo surge

Andrew Ward reports on a system that expects to see container traffic doubling over the next 15 years

Cargo has been flowing through US ports with surprising ease over the past two years. Despite continued growth in the number of ocean containers entering the US, there has been no repeat of the severe congestion that spread chaos through corporate supply chains in 2004.

But while US ports are learning to cope better with surging volumes of cargo from Asia, experts warn against complacency. Much of the US freight transport system continues to operate close to full capacity, with container traffic forecast to more than double over the next 15 years, on top of the 8 per cent annual growth since 2002.

US ports are responding through a combination of capacity expansion and increased productivity. But they face resistance from environmental groups and local residents opposed to bigger ports and from labour unions wary of efficiency measures that could cost jobs.

"The volume of traffic from Asia is going to grow and our ability to handle it will rely on heavy investment in infrastructure and technology," says Brook Benz, an expert on ports at Accenture, the consulting group. "There are so many different vested interests involved in a port – the local community, the port authority, the union and workforce, the shipping lines, the railroad companies, the trucking companies – and it is very difficult to bring all those groups together."

By far the most congested bottleneck is at Los Angeles and Long Beach, which receive

almost half of containerised cargo arriving in the US. Southern California was at the epicentre of the congestion crisis that struck the US three years ago, when cargo ships from Asia were forced to anchor offshore for days while waiting for space to dock.

The backlog heaped pressure on port authorities to increase capacity and improve efficiency. Hemmed in by one of America's biggest and most densely populated urban areas, building extra dock space is almost impossible and the ports have had to lengthen opening hours.

Until two years ago, America's two largest ports were open to trucks for only nine hours each weekday. Trucks arriving after the gates closed at 5pm had to wait until 8am the next day to deliver or pick up containers. The introduction of regular night and weekend shifts has more than doubled the time the ports are open. Extended hours helped Los Angeles and Long Beach handle a record 15m containers last year – up 11 per cent from the year before – without serious delays.

Despite the changes in southern California, Mr Benz says US ports are still "four or five times" less productive than Hong Kong and other leading Asian ports.

One of the biggest obstacles to increased productivity at many US ports is powerful labour unions. In 2002, all 27 US west coast ports shut down for 11 days because of a strike by the 15,000-strong International Longshore & Warehouse Union (ILWU). The stoppage caused \$15bn of losses to the US econ-

omy and it took 100 days to clear the cargo backlog.

The strike ended when the union agreed a contract that balanced union demands for improved pay and benefits with the port authorities' demand for greater productivity and wider use of technology. That contract expires in July next year and the two sides are already gearing up for months of tough negotiations.

Jim McKenna, president of the Pacific Maritime Association, which represents shipping lines,

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told a conference that ports and unions needed to send a message that they are ready for the next cargo surge from Asia. "The closer we come to the end of this contract without agreement, the more the phone lines from Washington to us will be burning up."

As west coast ports creak, shipping companies and their customers are looking for alternative gateways to the US. Three large ocean carriers – Maersk, APL and Hapag Lloyd – have introduced services to the Mexican port of Lazaro Cardenas, from where cargo is transported to the US by rail. A \$200m expansion is under way at Lazaro Cardenas and Mexico is also considering plans to build a new

port at Colonet Bay, 120 miles south of San Diego.

Another new container port is being built at Prince Rupert Island on the rugged coast of British Columbia, Canada. Despite its remote location, the island is 1,100 miles closer to Shanghai than southern California – the equivalent of two days' travel time – and is connected to the US by an uncongested rail line.

Ports along the Atlantic and Gulf coasts of the US are also expanding as Asian imports destined for the eastern half of the US are increasingly shipped through the Panama Canal to avoid southern California.

A long-awaited expansion of the canal, approved by Panama voters last year and scheduled for completion in 2014, will allow bigger ships to cross from the Pacific to the Atlantic, fuelling further growth in US east coast ports. New container terminals are either under construction or planned at Houston, Texas; Mobile, Alabama; Jacksonville, Florida; Charleston, South Carolina; Wilmington, North Carolina; and Norfolk, Virginia.

But Jon DeCesare, president of WCL Consulting, a logistics consultancy, says ports alone cannot solve the capacity crunch in the US freight transport system. Improvements in port productivity must be matched by action to tackle congestion on US roads and railways. "There needs to be an integrated, nationwide, multi-modal federal transportation policy," he says. "Having an efficient port is no good unless there is an efficient transportation network to carry cargo inland."