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Asian imports moving through Los Angeles–Long Beach, Seattle-Tacoma, and Vancouver in 2021 increased about 20 percent compared with 2020. Photo credit: Port of Long Beach.

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After struggling to handle near-record container volumes for much of 2021 amid deteriorating vessel and rail service, North America’s West Coast ports are being warned to prepare for much the same in 2022.

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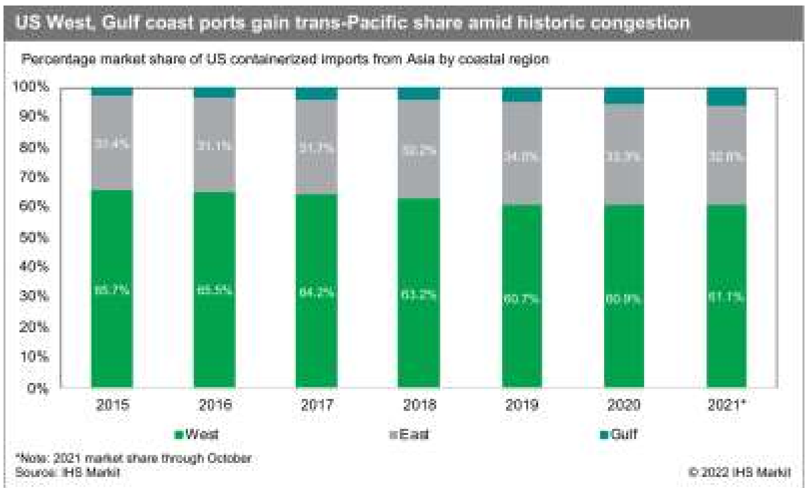
"We expect the West Coast to continue to experience varying levels of congestion throughout 2022," Alan Murphy, CEO of Sea-Intelligence Maritime Analysis, told JOC.com.

Vessel on-time arrivals at West Coast ports were only about 10 percent for much of last year, and on-time arrivals at East Coast ports hovered around 15 percent. Vessel on-time performance should improve marginally this year, but Murphy said significant improvement is unlikely. "We are not hopeful that trans-Pacific schedule reliability will return to the historical level of 60 to 80 percent in 2022."

Intermodal service improved somewhat last fall after Union Pacific Railroad and BNSF Railway "metered" the volume of containers they hauled inland from West Coast ports to decongest key hubs such as Chicago and Memphis. Trucking capacity also remained stressed because of a persistent shortage of drivers and importers transloading to trucks when inland point intermodal was unavailable or more expensive, which was the case for much of the second half of 2021.



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According to Murphy, those supply chain bottlenecks in the interior of the US must be "unclogged" before congestion at port terminals can be addressed. Given these issues, "we don't know if the hinterland 'unclogging' will take two, four, or six months, or even longer," he said.

All three of the major US West Coast gateways — Los Angeles and Long Beach, Oakland, and the Northwest Seaport Alliance of Seattle and Tacoma (NWSA) — experienced double-digit percentage increases in imports from Asia in 2021. In the first 10 months of the year, imports from Asia increased 19.4 percent in Los Angeles–Long Beach, 10.5 percent in Oakland, and 25.6 percent at the NWSA, according to PIERS, a sister product of JOC.com within IHS Markit. As a result, US West Coast ports clawed back some of the market share they had lost to their East and Gulf coast counterparts in recent years. The West Coast's share of US imports from Asia increased to 61.1 percent through October, up from 60.9 percent in the same 10-month period of 2020 and 60.7 percent in 2019, according to PIERS.

The Canadian ports of Vancouver and Prince Rupert, meanwhile, saw mixed results. Total imports in Vancouver through September increased 15.1 percent, but imports in Prince Rupert declined 15 percent in January through October, according to data from their respective port authorities. Prince Rupert fell victim to congestion at the other West Coast ports, as trans-Pacific carriers bypassed the port on some voyages to compensate for long waits — particularly outside of Los Angeles and Long Beach — to speed vessels back to Asia for the next sailing. Vancouver and Prince Rupert are key gateways to the US Midwest, with intermodal rail service connecting the ports with Chicago and beyond.

Incentivizing pickups

The record cargo volumes produced record levels of congestion on the West Coast, prompting the ports to take dramatic action to improve cargo velocity. Los Angeles and Long Beach in November announced they would assess “emergency” fees on carriers for long-dwelling containers, which the lines immediately said would be passed on to their shipper customers. The ports have yet to officially implement those charges, citing progress in moving the containers off the terminals.

Two terminals at the NWSA, Husky and Washington United, actually imposed similar — albeit much smaller — fees in November to compensate for the extra costs of shuffling long-dwelling containers around their congested facilities. Whether the Southern California ports would ever impose their threatened charges and the NWSA terminals would continue theirs in 2022 was still an open question as 2021 came to a close.

However, terminal operators in Los Angeles–Long Beach on Dec. 1 changed the format of the PierPass traffic mitigation fee (TMF) in an attempt to encourage more truck moves during night gates, when traffic in the terminals and on the freeways is lighter. The TMF, which had been levied on all laden containers regardless of the time of day they moved, was dropped for truck moves after 6 p.m., while the daytime fee was doubled. The terminals, operating collectively through the West Coast Marine Terminal Operators Association, said they would revisit the TMF strategy in the new year.

Ocean carrier CMA CGM took a similar approach, offering financial incentives from Dec. 1 for importers that take delivery of their containers within eight days of their arrival at the port. CMA CGM said at the time it would continue the incentive program, which pays customers $100 per box for each container retrieved during the day shift and $200 per box for nighttime pickups, into the new year. Zim Integrated Shipping Services in December implemented a container interchange incentive payment, made directly to truckers who pick up import containers with dry cargo within four days of their discharge from vessels.

US West Coast ports last year also established near-dock yards for the temporary storage of laden import and export containers, rather than having them dwell on the marine terminals. These “surge yards” will remain in operation at least until the ports are cleared of congestion and some will likely be made permanent.

In addition to large backlogs of containers sitting in terminal yards, most of the West Coast ports experienced some level of vessel bunching in 2021, although none more so than Los Angeles and Long Beach, and those conditions are expected to persist into 2022.

At its peak, the container ship backlog in Los Angeles–Long Beach reached 86 in mid-November, according to data from the Marine Exchange of Southern California. However, the Marine Exchange, in coordination with carriers, the ports, and local air-quality regulators in December began a new system for counting vessels en route to the ports. The program is designed to push waiting vessels farther offshore to reduce harmful emissions near the California coast.

By mid-December, there were approximately 100 container ships headed to Los Angeles–Long Beach each day. That number included 30 vessels at anchor or loitering within 40 miles of the coast, and about 70 ships slow steaming from Asia up to about 150 miles offshore. Those vessels are in addition to the 30 or so ships that are at berth being worked on a given day.

Although Vancouver handled a double-digit increase in import volume last year, Canada’s largest container port was more affected by two major floods in British Columbia that interrupted rail service and caused containers to back up at its marine terminals. Entering the new year, Vancouver was still digging out of the backlog. The port authority, with government assistance, was able to acquire a 40-acre site 15 miles from the Deltaport Terminal to use as a surge yard.

Longshore labor wildcard

As 2022 gets underway, shippers that move cargo through the US West Coast ports are also keeping an apprehensive eye on July 1, when the existing coastwide contract between the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) is set to expire. Negotiations for a new longshore labor contract will likely begin in the spring after the ILWU in November rejected an offer from the PMA to extend the existing contract for an additional year.

Retailers, some of whom are already shifting a portion of their import volumes to East and Gulf coast ports as a “just-in-case” contingency, are looking for signs early this year that the labor issues that accompanied past negotiations dating back to the 1990s will not be repeated, said Jonathan Gold, vice president of supply chain and customs policy at the National Retail Federation.

Gold told a virtual Propeller Club meeting in Long Beach in early December that employers and the ILWU must begin to assure retailers immediately that they intend to conduct negotiations without disruptions if they hope to avoid cargo diversions.

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