

Railroads say able to handle disruption from possible ILA port strike



While interchanges occur in Chicago, more domestic intermodal cargo moves from the West Coast to East Coast cities than international containers. Photo credit: Carlo Emanuele Barbi/Shutterstock.com.

Ari Ashe, Senior Editor | Sep 17, 2024, 3:37 PM EDT

US railroads are well-prepared if the International Longshoremen's Association (ILA) strikes on Oct. 1 at ports along the East and Gulf coasts, according to the CEOs of CSX Transportation and Norfolk Southern (NS) Railway.

At a Morgan Stanley conference last week, both companies said that because they already manage cargo from West Coast ports exchanged in Chicago and Memphis, they are able to manage disruptions on the East or Gulf coasts.

"There's not a lot of risk for us over an extended period of time because if things move to the West, they've still got to get to the population in the East, so then it's just a longer haul for us, actually," CSX CEO Joe Hinrichs said Sept. 12.

Much of the cargo arriving at East Coast ports is trucked directly to population centers, Hinrichs said, suggesting that any port closures might boost the West Coast volume needing to be railed to cities in the CSX intermodal network.

The recent surge in West Coast import volumes, which has required extra loaders, indicates that cargo owners are already shifting shipments to protect themselves from labor disruption.

“We’re somewhat neutral on it [because] we’ve always been largely geared towards moving the West Coast-oriented or originated product,” NS CEO Mark George said at the event on Sept. 13. “We’ve shown the nimbleness to when the product moves to the East Coast, we handle that just fine, too.”

Rising rail dwells in Southern California

A furniture importer who did not want to be identified told the *Journal of Commerce* that its shipments arriving in late September were booked to the West Coast to avoid potential delays. The cargo is being transloaded to trailers in Southern California and trucked to the company’s East Coast distribution centers.

Rail container dwell times have risen at the ports of Los Angeles and Long Beach this summer, and congestion has been a persistent issue for Union Pacific Railroad customers in Tacoma this year.

“The best way to avoid rail congestion is to bypass inland rail legs altogether — dray off containers, cross-dock into one-way trucking, and send the freight on its way,” Paul Brashier, vice president of global supply chain for ITS Logistics, wrote in a LinkedIn post on Tuesday.

According to a *Journal of Commerce* analysis, demand for true coast-to-coast international intermodal is far less than for domestic cargo. For example, more than 150,000 domestic containers move from Southern California to Atlanta annually versus only 25,000 ocean boxes. And more than 160,000 domestic containers per year travel from Southern California to either New Jersey or Pennsylvania — home to warehousing and population centers — compared with about 5,000 ocean boxes.

East Coast ports are the primary feeders because, in general, ocean carriers are less willing to have their containers move from coast to coast. Carriers have more trouble booking exports from Georgia, New Jersey, and Pennsylvania to California when closer options are available on the East or Gulf coasts. Meanwhile, a domestic intermodal provider such as Hub Group, J.B. Hunt Transport Services or Schneider National handles more bi-directional freight.

CSX and NS may reallocate railcars from East Coast ports to Chicago to service cargo owners with distribution centers in Michigan and Ohio.

More than 225,000 ocean shipments are railed annually from the West Coast to Cincinnati, Cleveland, Columbus, and Detroit versus only 35,000 domestic containers, according to the *Journal of Commerce* analysis.

To the extent cargo owners with distribution centers in Michigan or Ohio need their international cargo, CSX and NS would be critical on that final leg from Chicago.

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