Hopes for the holidays

As the holidays approach, people are energetically creating their personal wish lists of desired presents. We talk a lot about what’s needed in the transportation industry — but its related businesses surely have holiday wishes, too.

For example, retailers might wish that all of their holiday merchandise reaches their store shelves in time for sale. This season has been challenging. Many retailers shipped increased cargo later in the season — only to have severe service interruptions plague the discharge and movement of their containers. Some analysts believe the sale of gift cards may have been a merchandising idea born out of short supplies.

Steamship lines would probably request of us a return to schedule integrity, so that they might avoid the constant readjustment of vessel schedules, diversion of port calls and intermodal difficulties. A return to 24-hour vessel operations at Los Angeles-Long Beach (it is down to 16 hours now) would help greatly. Because today’s vessels take weeks to complete a round trip, it may take several months of smooth sailing before operational stability returns. Many ocean carriers might also wish for an expansion of their all-water services to the U.S. East Coast by enabling them to acquire Panamax vessels — and Panama Canal transits — at reasonable prices.

Marine terminals are probably looking for relief — for now and in the future. Their immediate concern would be procurement of sufficient longshore labor that is qualified and available to work an entire shift. Labor shortfalls have contributed to the Southern California backlog that has crippled the industry for nearly five months. Long-term, marine terminals are hoping for structural change — in additional capacity (e.g., land) and the ability to improve operational efficiency with advanced technology.

The railroads have their holiday wish list, too. Train and crew shortages should diminish as the effects of new hiring practices finally become available, but rail infrastructure capacity will remain a challenge for many years. Like their steamship line customers, railroads would like to see a return to “routine” operations. Many would also probably appreciate better industry understanding of the complexities of railroad operations. Reactive business practices (made necessary by adverse externalities) have greatly impeded effective operational planning.

And what is on the ports’ wish lists? Are Los Angeles and Long Beach looking to regain volume that was diverted from them over the past six months? Or are they satisfied with a smaller share of the rapidly growing trans-Pacific market? Are ports such as Seattle, Tacoma and Oakland hoping to resuscitate volume growth that seemed lost forever to Southern California? Are East Coast ports waiting for all-water services to transit the Suez Canal with post-Panamax vessels? And will New York finally get its 45-foot channels?

The answer is most likely “all of the above.” Yet, while these visions of sugarplums dance in the heads of port officials, they must consider several harsh realities. To compete with Southern California as a first-call port, remaining West Coast ports will be forced to overcome a few major hurdles. The Los Angeles Basin is the nation’s import center because of five major characteristics:

- It has marine terminals with the capacity to handle large numbers of ever-larger ships. (The number of terminals outside Los Angeles-Long Beach with such capability is few.)
- It has railroad terminals that can handle the large volume of intermodal traffic. (Large rail intermodal terminals in the other ports do not exist.)
- The railroads have network capacity to handle the necessary train volume. (Other ports usually have one railroad that is geographically challenged.)
- The local population makes it rational for major retailers to position distribution centers there. (There are import centers elsewhere, but who wants to serve Los Angeles by the I-5 corridor?)
- The local population consumes things so that inbound domestic equipment is available for reloading with import cargo destined throughout the country. (Equipment balance and utilization are critical carrier profitability drivers.)

When you consider the other West Coast ports, most of them would have trouble fulfilling even two or three of those criteria — let alone all five. Some improvements are foreseeable, but wide-scale diversion from Southern California still seems unrealistic. This means that ports will still have plenty on their holiday wish lists. Knowing all this, the transportation industry can more efficiently compile its own wish lists for the coming year(s).

Happy holidays.

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