For Immediate Release
July 1, 2021

Cargo Congestion at West Coast Ports Driven By Cumulative Collapse of Entire Logistics Supply Chain, New Research Finds

LOS ANGELES (July 1, 2021) — Equipment shortages, capacity limits, and logistical chokepoints throughout the entire supply chain have created the backlog of container vessels and marine terminals slowing trade at West Coast ports, according to new research commissioned by the Pacific Maritime Association.

The research by leading maritime economist John Martin, Ph.D., highlights the broad scope and systemic nature of the cargo congestion that continues to hamper goods movement throughout the country, including at the Ports of Los Angeles and Long Beach – the largest maritime gateway in the Western Hemisphere. While images of container ships backed up off the San Pedro Bay ports are common in news coverage about supply disruptions, Martin found that much of the congestion originates far from the docks. Warehouses are filled, causing back-ups all the way to port terminals, made worse by shortages of shipping containers, rail cars, trucks, and chassis to meet the enormous demand. These dynamics have driven delays, shortages, and increased prices at retailers nationwide.

Following a dramatic drop in import cargo volumes early in the COVID-19 pandemic, volumes saw an unprecedented increase beginning in April 2020, the research shows, peaking last October and again in March 2021. Over that year, the Ports of L.A. and Long Beach (known as the San Pedro Bay Port Complex) experienced extreme cargo swings, falling to under 1 million TEUs in March 2020, then nearly doubling to 1.8 million TEUs a year later in March 2021. The import surge continues to break records: in June, the Port of Los Angeles announced it had become the Western Hemisphere's first port to process 10 million container units in a 12-month period.

Congestion triggered by this influx has corresponded with diminished rail capacity, longer truck turn times, and increased dwell times for containers and truck chassis. Terminal dwell times, which measure how long containers remain at terminals, peaked in January at over five days, more than twice the standard length. Meanwhile, street dwell times for chassis have also hit crisis levels, exceeding the industry "red zone" of six days continually since November 2020. In fact, early December 2020 and January 2021 showed peak street dwell times for chassis at nine days – a full week above the optimal level of one to three days.

Martin's findings indicate that the breakdown in off-terminal logistics, rather than a lack of longshore workers at terminals, has fueled the terminal and vessel congestion. Despite ILWU labor hours reaching historic levels, production per hour dwindled due to terminal congestion. With nowhere to locate additional containers, ships at the San Pedro Bay Port Complex declined or canceled labor more than 1,000 times between last October and this March, with more than 40% of container vessels at berth during peak days last November canceling or declining labor gangs. TEU throughput per hour at automated terminals grew during the pandemic compared to traditional terminals, yet these efficiencies have not offset the broader strain on supply chains.

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Another logistics chokepoint has been overcrowded regional transload and distribution centers and a critical shortage of industrial warehouse storage space in the greater Los Angeles region. Industrial warehouse vacancy rates have dropped to less than 4% in the Inland Empire and less than 2% in the Los Angeles South Bay area near the ports, according to Martin's findings. Since about 60% of intermodal containers are currently transloaded, the capacity constraints and congestion at regional warehouse and transload facilities also effect discretionary cargo bound for markets east of the Rockies, critical to the health of West Coast ports.

These backups also correspond with diminished rail capacity through 2020 and early 2021, as reflected by the reduced number of intermodal trains moving daily through the Alameda Corridor. From 2020 to the end of March 2021, the average number of daily trains through the Alameda Corridor was at historically low levels, reflecting potential rail car shortages, a shifting of service levels by the railroads, or both.

"The San Pedro Bay Ports are of monumental importance to the economy of Southern California, as well as California's statewide economy," said PMA CEO Jim McKenna. "This important new research makes clear that the ongoing terminal and vessel backlogs result from a cumulative collapse of the entire logistics supply chain, overwhelmed by the historic cargo surge. As the supply chain continues to struggle to meet the demands of this historic import surge, we must work collaboratively across industries to identify solutions that span our entire logistics network."

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