

West Coast Port Snarls Will Take Months to Unwind

Contract Could Be Within Reach in Labor Dispute That Has Magnified Problems



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Shipping containers are stacking up at the Port of Los Angeles, which might need eight weeks to get back to normal once solutions are found. *PHOTO: ASSOCIATED PRESS*

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The labor dispute that has magnified snarls at U.S. West Coast ports may be on the brink of a settlement, but it will take months to end the widespread pain, freight disruptions, and losses caused by the [massive cargo traffic jam](#).

The near-paralysis at the ports is rippling through the economy. Railroads are reducing service to the West Coast. Cargo ships have slowed down—and even turned around—as containers have

stacked up at the ports. And an official of a meat-industry trade group said last week that port gridlock was costing meat and poultry companies more than \$30 million a week.

Tuesday, 19 ships were anchored in the bay outside the ports of Los Angeles and Long Beach, where about 95% of the total acreage was in use. The delays, congestion and fallout have cost “hundreds of millions to a billion” dollars in lost productivity and missed opportunities, said Jeffrey Werling, executive director at INFORUM/University of Maryland. “It’s eating away at productivity.”

The congestion has worsened as global shipping companies have tried to increase their economies of scale. They are using larger cargo ships and sharing ships, which means cargo is often out of order for unloading.

Moreover, the shipping companies, which used to own the trailer chassis used for moving cargo at the ports, recently sold them to leasing companies, which have had trouble deploying them where and when they are needed. All that has made it harder to load cargo, and has complicated labor negotiations.

Containers are stacked about six high at the Port of Los Angeles, said Gene Seroka, its executive director. If a labor deal is reached and other solutions are implemented, it could take about eight weeks to get the port back to normal, he said.

It appeared on Tuesday that the International Longshore and Warehouse Union, which represents the 42,000 West Coast port workers, and the Pacific Maritime Association, which represents port employers, [could be near a final contract](#). They had resolved a key sticking point: workers will continue to inspect chassis, despite the ownership change, said a person familiar with the talks. Several issues remained on the negotiating table.

The labor contract, negotiated by the parties every six years, expired July 1, but the systemic changes in the way cargo is processed through the ports have made it more difficult to reach a new agreement.

But a labor deal wouldn’t do much to help Neely Mallory III, president of Mallory Alexander International Logistics in Memphis, who said he has 170 import containers and 850 export

containers sitting at the docks at the ports of Los Angeles and Long Beach that won't load this week. The twin ports together handle about 40% of the U.S.'s containerized freight.

Mr. Mallory is having trouble getting railroads to take loads west from Memphis, Dallas or Chicago, because they are reducing service to the ports until the congestion clears. He can't arrange to export more than 10,500 containers of cotton.

Last Friday, a ship due in with imports for his customers gave up, he said. It will avoid the U.S. for 30 days. "It's devastating," he added.

Companies have been scrambling to redirect shipments via other ports, truck, rail and even air. International trade economist Jock O'Connell estimates that international air-cargo tonnage into the San Francisco International Airport rose 28% in December from a year earlier.

Meanwhile, meat freezers on the West Coast and in the Midwest are filling up as port backlogs force more companies to store meat awaiting shipment overseas, according to Bill Westman, senior vice president of international affairs at the North American Meat Institute.

On average, meat can be sold as fresh only for about 30 days. After that it needs to be frozen, which can cut the price of some products in half, the trade group said. "We have lost our fresh-meat business because all of that product has a shelf life," said Mr. Westman.

Snarled ports also have disrupted California's \$1.8 billion walnut industry, which relies heavily on shipping containers to supply grocery stores and food companies in Australia, Japan, China and Germany. Andersen & Sons Shelling Inc., based in Vina, Calif., may soon suspend its night shift and lay off about 30 workers, as congested ports have slowed its exports by half. Unshipped 25-pound cardboard boxes of walnuts are stacked nearly to the ceiling in its warehouses.

"We're running out of storage space," said Patrick Andersen, the company's president and owner. Mr. Andersen said he has been able to sell more walnuts domestically to compensate for the slowdown in overseas sales, but "there is only so much the U.S. will buy."

[Manufacturers](#) also are feeling the pain. The National Association of Manufacturers has heard from members that container shipments through the West Coast ports in recent months have become “incredibly erratic,” said Robyn Boerstling, director of transportation and infrastructure policy for the trade group. “Everyone is feeling extremely uneasy and frustrated,” she said. Companies fear that if they can’t deliver on orders it will be very hard to win business back, she said.

NAM said a small U.S. maker of pulp and paper told it that the company had lost about \$1 million of pulp exports to China in the past few months because it couldn’t meet shipment deadlines or customers feared it might not deliver on time. [Fastenal](#) Co. , a distributor of industrial and construction supplies based in Winona, Minn., said some deliveries of screws, nails and other fasteners from Asia are delayed by a week or two, forcing it and some customers to hold larger inventories.

Bosco Trading LLC, which exports livestock feed to Japan and Korea, typically sends about 40 shipping containers a week with bales of Oregon-raised grass straw to ports in Washington and Oregon. But truck drivers are encountering hourslong waits to enter dock terminals, with no guarantees when the containers will be shipped.

Turmoil at the ports has raised Bosco’s expenses by \$1,000 to \$3,000 a day and is keeping Bosco from benefiting from improving demand for its grass straw.

“It’s been a nightmare for us,” said Shelly Boshart Davis, international sales vice president.

— Laura Stevens contributed to this article.