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What Matters To Shippers



■ Trade and Transportation

By Thomas O'Brien

Los Angeles Mayor Eric Garcetti recently led a trade mission to China. The purpose of the trip was to attract foreign direct investment, increase opportunities for local businesses and encourage bilateral trade. Meanwhile back home (and all along the West Coast) the trade sector was taking a hit as container ships queued up at anchor outside of ports creating backlogs, and trucks waited at terminal gates to pick up the cargo that did make it on to the docks.

Some blame the delay on slowdowns orchestrated by the longshore union as the ILWU and the Pacific Maritime Association continue their negotiations over a new dockworker contract. Others point to an equipment shortage brought about by larger ships creating demand for truck chassis while ocean carriers are divesting themselves of the same equipment in order to eliminate costs. Still others argue for more operating hours at the terminals to spread out the flow of traffic in order to improve turn times for truckers.

The reason matters little to those in China who met with Mayor Garcetti's team. What matters is that the uncertainty of moving goods through California these days is cause for concern. Contrary to conventional wisdom, shippers are not always interested in the lowest possible cost – at least not in isolation. Transit time is also a factor. So is infrastructure reliability. What shippers don't want is uncertainty and variability. As a result, they look for options that allow them to operate an agile supply chain. Sometimes those options involve means of transport. Shippers will use the right combination of road, rail, ocean and air depending upon what they're moving, how much people will pay for what they're moving and when it needs to get there. As a result, the places where goods are transferred between modes of transport are vital links in a global supply chain. Intermodal hubs are no longer just intermodal hubs. They're logistics hubs where goods may get assembled, customized, consolidated and stored until the customer places an order.

Los Angeles and Long Beach compete then with not only other ports but with other trade gateways where value added services are also part of the mix. Virginia is an alternative for shippers looking to move goods from Asia to Chicago for reasons other than the state's deep water ports. The state also offers intermodal connections and a warehousing and distribution network that make it a competitive trade region. With viable alternatives from Asia to the U.S. via the Panama Canal and Suez Canal, we shouldn't rely upon our proximity to Asia to guarantee our own competitiveness.

On the contrary, the future may be won by those regions that are best able to meet the ever changing expectations of consumers who are forcing shippers to compete via supply chain innovations. The rise of e-commerce is creating demands for new kinds of fulfillment and distribution centers that are taller, deeper, wider, more flexible and more technologydriven than the warehouse of old. These facilities are no longer located in the cheapest possible locations but on the fringe of major metropolitan areas in order to be able to fill nextday or same-day orders. The challenge for cities and regions is to manage the growth while facilitating the flow of goods.

Of course, trade can flow in more than one direction. The economic well-being of the region shouldn't depend upon imports alone. Exports matter too; and Asia's growing middle class provides an opportunity for U.S.-based manufacturers looking to expand their markets. Southern California is still the nation's largest manufacturing region but according to Forbes which regularly ranks the country's manufacturing hotspots, we're losing ground to other places like Salt Lake City.

So Mayor Garcetti's desire to foster access to new markets for local businesses makes sense. So is the attempt to encourage new investment in the region. We have a lot to offer. But those investors and traders will be weighing a number of factors when they choose their partners. Global trade depends upon a complex set of interactions; and a breakdown in one part of the system can have wide ranging effects. Equipment shortages and delays at the ports don't just impact the ports. Similarly, an underperforming manufacturing sector means fewer goods moving through the global distribution network, including the port. The agreements may be negotiated overseas but we will have to deliver upon them here at home.

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