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Now What?



■ Trade and Transportation

By *Thomas O'Brien*

The Southern California trade community breathed a sigh of relief with the recent news that a tentative agreement had been reached between dockworkers of the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) which represents ocean carriers and terminal operators. The PMA-ILWU contract is actually coast wide, covering ports up and down the West Coast. But there's no doubt that the line-up of 30-plus ships waiting to get in to the San Pedro Bay ports was the big story coming out of the back-and-forth between the two sides, a back-and forth that actually shut down the ports for a number of days.

Because of the size of our ports and the role they play as a gateway for products for the rest of the nation, L.A. and Long Beach serve as the proverbial canary in the coal mine for U.S. trade. When we suffer, it's likely that the country suffers as well. This was a point made by Mike Jacob, the vice president and general counsel of the Pacific Merchant Shipping Association (PMSA) at the February 24 California Maritime Leadership Symposium in Sacramento. He argued that a decline in market share for Los Angeles and Long Beach is not necessarily good news for other US ports. Recent history has proven that the winners, at our expense, might just be Mexican and Canadian ports.

That's why the sudden exhale should probably be brief. The labor problems at the ports were only one cause of the recent congestion woes. The others include a shortage of chassis driven by changing business models for ocean carriers, larger vessels creating peak demands for both labor and equipment, and bottlenecks at not only the docks but outside the gates as well.

What we have is not just a port problem, or a labor problem, but a supply chain problem. And solving that kind of problem is more difficult than even a contract negotiation because it involves a greater number of actors over a wider geographic area with many competing

interests (even if they're all presumably in the business of moving goods).

Discussions at the Symposium suggested a few places to start. For one thing, the Ports of Los Angeles and Long Beach - while competitors - have a shared interest in eliminating the delays brought about by equipment shortages. And both, with the approval of the Federal Maritime Commission, are developing a cooperative working agreement to tackle chassis supply and storage along with other vexing problems like trucker turn time which are often related.

But you don't want to just move the bottleneck and delay further down the supply chain. That's why, I think, there was also a fair amount of discussion about the need for a robust National Freight (including ports) Policy that identifies a dedicated funding source for freight-related projects that removes cumbersome restrictions on financing infrastructure improvements across modes of transport. And one that, not surprisingly for a room full of Californians, makes the politically bold decision to prioritize projects where the need is greatest. That means not cutting things too thin in order to give every place a piece of the pie for political reasons. The argument may be a tough one to make, but if the health of the U.S. economy really does depend on the strength of the California trade gateway, then the right investments can have positive downstream effects.

One other point that Jacob made had to do with the focus of freight planning. He argued that growth in the trade sector actually pays for the infrastructure development needed, and that a good freight plan - even one with a focus on sustainability - needs to make growth the key measure of success. In the absence of this, the Plan has limited ability to actually bring about its intended result.

For the audience in Sacramento, fresh from the recent battles played out in both the negotiating room and in the press, the argument seemed to resonate. But more battles lie ahead. What happens when, for example, the state tries to integrate the freight planning efforts of Caltrans and the Air Resources Board remains to be seen. Getting a new ILWU contract is a major step but we have more than enough reminders that the ports are just one link in a global supply chain and you what they say about only being as strong as your weakest link.

Dr. Thomas O'Brien is the Interim Executive Director for the Center for International Trade and Transportation (www.ccpe.csulb.edu/citt) at CSULB and the Associate Director of Long Beach Programs for the METRANS Transportation Center (www.metrans.org). METRANS is a joint partnership of the University of Southern California and California State University, Long Beach