

Global Supply Chain Meltdown - Ports of Long Beach / Los Angeles

Understanding the Bottleneck Causes & Solutions

The situation is serious!

“\$24 billion in goods is floating outside California’s biggest ports.”

- Goldman Sachs estimate

Importance

The ports of Long Beach & Los Angeles, North America’s largest volume ports, are a critical asset in the United States’ ability to participate in the global economy. More than \$1.5 Billion on average per day (365-days/year) flows through the SoCal gateway.

The ports’ ability to flow cargos efficiently and consistently have been disrupted in the past by union contract negotiations, transport equipment and capacity shortages, mega-vessels evolution and labor shortages. The extensive multiple interweaving disruptions and market volatility caused by the pandemic are on an entirely different scale. In my opinion on a 10-point scale (1 No Impact & 10 Crisis) I would rate previous disruptions as a 5 and the pandemics impact a 15.

The global supply chain is a complex, dynamic, consistently changing goods movement system. Asian imports can be handled by as many as 12 to 15 different industries. Solving today’s multi-dimensional challenges will require “out-of-the-box” innovative solutions. CHANGE will be required of many stakeholders’ business models.

Causes

- Long-term Spike in Consumer Spending: According to HIS Market, January to September 2021 19.5% growth Asia containerized imports.
- COVID-19 Pandemic: Closures of Asian factories, marine terminals, trucking operations delayed shipments which caused importers to increase shipping volumes to develop more safety stock.
- Freight Flow Bottleneck: Asian Marine Terminals operate 24/7 168hrs/week while SoCal terminals operate estimated 50% less time which creates a large inbound freight flow bottleneck.
- E-Commerce & JIT Inventory Strategy: As e-commerce competitive market pressures cause companies to stock a larger range of stock keeping units (SKUs) so that they are not out of stock and loose the sales. Corporations are increasingly moving away from JIT to Just-in-Case inventory strategies which increases volume of shipments in order to build safety stock.
- Ultra-Large Container Vessels (18,000 TEUs Plus): The SoCal ports are preferred by ocean carriers because of closeness to Asia, large marine terminals, deep drafts, excellent highway, and rail infrastructure, and 35-million consumer population base.
- Labor Shortages-Reduce Capacity: Serious labor shortages at marine terminals, drayage operations, warehouse facilities, over-the-road trucking and railroads operations reduce capacity.
- Marine Terminal Systems: Of the 11 marine terminals only two are fully automated and better able to increase container throughput volumes from handling ultra-large container vessels. The other nine terminals, with some exceptions are using material handling systems primarily designed prior to mega-vessel evolution.

- **Chassis Shortages:** Chassis, a special trailer or undercarriage used to transport ocean containers over the road, inventory is not adequate to handle the increasing volumes of cargo. A significant amount of chassis inventory is tied up sitting under containers waiting to be unloaded at warehouse or drayage operator yards.

Solutions

Short Term

1. Marine terminals modify marine terminal drayage driver appointment system to form a port-wide, dynamic system which communicates between terminals.
2. Ports/Marine Terminal/Drayage Operators conduct a marine terminal/drayage operations interface assessment to identify chokepoints and inefficiencies.
3. Ports continue to support development of Inland Port Operations to expand off dock NEUTRAL container yards to alleviate port terminal congestion.
4. Ocean Carriers/Ports/Marine terminals re-visit Marine Terminal Free-Flow/Peel-Off operations to identify methods to increase usage including incentives to use program.
5. Ocean carriers analyze Vessel Sharing Alliance empty container handling processes to identify container movement efficiency improvements. Consideration should be given for off dock yards, no more split deliveries, bring sweeper vessels in more often and send intermodal empties to less congested ports.
6. Governor of State of California suspend AB5 legislation to facilitate entry and retain port drivers. Also, Governor suspend Warehouse Indirect Source Rule to encourage building of more warehouse space.
7. Warehouses, rail and drayage operations evolve to a 24/7 operation to improve freight flow velocity.

Long Term

1. Warehouse Education & Research Council (WERC) along with Council of Supply Chain Management Professionals (CSCMP) collaborate with industry partners to design warehouse worker training programs.
2. State & Federal government agencies review import documentation and government reporting requirements.
3. Ports of Long Beach & Los Angeles collaborate with local schools/universities to:
 - a. Establish Goods Movement Collaboration Institute to study best-practices in supply collaboration technology and innovation.
 - b. Support CSULB's Global Logistics Specialist school to expand the supply chain operations educational opportunity to more supply chain stakeholder employees.
 - c. Assist in developing trade schools for truck driving and warehouse material handling operating training.
4. Port stakeholders accelerate development of Port of Entry stakeholder digital connectivity communications where all parties can share and access data and information, encouraging collaboration, and improving supply chain visibility

About the Author's Expertise

Jon DeCesare, President, WCL Consulting, after spending 21-years in importer & 3PL executive positions, he established WCL Consulting in 1985 based in Long Beach. His in-depth understanding of SoCal goods movement dynamics was developed through numerous consulting engagements involving transloading operations, shipper/3PL outsourcing, ports customer satisfaction surveys, marine terminal/drayage operations interfaces, warehouse network optimization, 3PL acquisition due diligence, drayage operations best-practices among others.

WCL Consulting, a supply chain solutions advisory firm, whose clients include ports, marine terminals, third-party logistics providers, beneficial cargo owners, drayage operators, railroads, industrial real estate developers, and private equity firms.

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