# Lessons Learned from the 2004 Peak Season Crisis: Causes, Impacts, Solutions

## 7th Annual CITT State of the Trade and Transportation Industry Town Hall Meeting

**September 2005**

**By**
**Thomas O'Brien, Ph.D.**

CITT Center for International Trade and Transportation

University College & Extension Services
California State University, Long Beach
The Choice for Continuing Education & Professional Development

METRANS Transportation Center USC CSULB

# DISCLAIMER

## Table of Contents



Figures:



Tables:

## Executive Summary

This White Paper considers the causes and impacts of the unprecedented levels of congestion experienced by the Ports of Los Angeles and Long Beach during the second half of 2004. A companion piece, *Proceedings*, summarizes the discussion of the 7th Annual Town Hall, sponsored by the CSULB Center for International Trade and Transportation and the METRANS Transportation Center, which addressed possible solutions to port-related congestion.

For the San Pedro Bay ports, 2004 saw the continuation of trade trends in evidence for the past few years. Trade in both goods and services increased at a global scale with China playing a pivotal role. As goods manufactured in China are delivered to other parts of the world in increasingly larger ships, ports along the West Coast of North America figure prominently as important transshipment centers. LA and Long Beach are particularly important since they are also gateways to the Southern California market.

The surge in trade, particularly with Asia, had dramatic impacts on the operations of port facilities in Southern California. An inability to foresee the rapid rise in volumes resulted in additional transit times for US shippers. More than 100 vessels were diverted from San Pedro because of both this delay and a lack of longshore labor to move cargo off the ships and out the terminal gates.

A backlog of ships in the San Pedro Bay is more than a problem for the ports. It is emblematic of problems throughout the supply chain. Since the 2002 west coast port lockout, and with the memories of the 2004 congestion fresh in their minds, ocean carriers have been attempting to increase the number of all-water services between Asia and the US East Coast. This is a means of avoiding possible problems in LA and Long Beach. Marine terminal operators (MTOs) also look to handle an increase in volume. Most recently this has meant capacity-enhancing infrastructure, operational changes, and the adoption of new technology. New metrics, for example, have been established to improve the MTOs' ability to hire and assign labor.

There are concerns however with the ability of the trucking industry to keep up with changes elsewhere in the industry. Driver shortages now appear to be the norm in trucking. Both congestion and rising fuel prices have eroded driver wages and reduced the ranks of owner/operators who are the large majority of the drayage industry.

Railroad capacity is also a concern. The industry experienced some of the same labor concerns that the terminal operators experienced in 2004. Some available locomotives were not fully staffed and so sat idle both at the docks and at rail yards.

What is lacking is an industry-wide approach that will ensure that the various efforts are not at odds with one another. The attempt to address broader solutions was the subject of the panel discussion at the 7th Annual Town Hall.

## 1.0 2004 Peak Season Congestion: Causes and Impacts

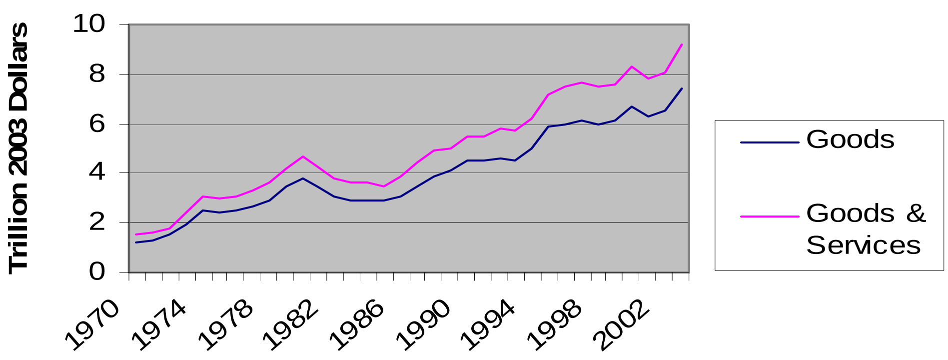
This White Paper considers the causes and impacts of the unprecedented levels of congestion experienced by the Ports of Los Angeles and Long Beach during the second half of 2004. A companion piece, *Proceedings*, summarizes the discussion of the $7^{th}$ Annual Town Hall, sponsored by the CSULB Center for International Trade and Transportation and the METRANS Transportation Center, which addressed possible solutions to port-related congestion.

This White Paper begins with an overview of goods movement through the Ports of LA and Long Beach in 2004. Why were container volumes so high? Were they truly unexpected? Following this is a brief discussion of the state of the trade industry within individual segments including the ports, ocean carriers and trucking and rail. Many viewed 2004 as a perfect storm, a confluence of industry-specific events that combined to become a supply chain crisis. Was this likely the case? The findings set the stage for the discussion of solutions which occurs in the Proceedings.

### 1.1 Peak Season 2004 at the Ports of Los Angeles and Long Beach

For the San Pedro Bay ports, 2004 saw the continuation of trade trends in evidence for the past few years. Trade in both goods and services increased at a global scale (Figure 1) with China playing a pivotal role. As goods manufactured in China are delivered to other parts of the world in increasingly larger ships, ports along the West Coast of North America figure prominently as important transshipment centers. LA and Long Beach are particularly important since they are also gateways to the entire Southern California market.

Figure 1: World Export of Goods and Services, 1970-2003
Source: IMF



In 2004, 25.2 million twenty-foot equivalent unit containers (TEUs) moved in and out of US ports (Waterfront Coalition, 2005). Half of that total was moved through the West Coast. In terms of imports, the West Coast handled 57% of the total volume, the result of an increasing reliance on Asian manufacturing centers. Fully 40% of all containerized imports enter the country through Los Angeles and Long Beach, i.e. some 24,000 containers a day. The two figure prominently on the list of top container ports, both individually and in combination as the San Pedro Bay port complex. Not surprisingly, the largest ports and the most rapid growth in container volume are found in Asia (Tables 1 and 2).

**Table 1: Top Container Ports (2004)**
**Source: Journal of Commerce**

| | Volume 2004 (Million TEUs) | Volume 2003 (Million TEUs) | % Change |
|---|---|---|---|
| Hong Kong | 21.98 | 20.45 | 7.5 |
| Singapore | 20.6 | 18.1 | 14.1 |
| Shanghai | 14.56 | 11.28 | 29 |
| Shenzhen | 13.62 | 10.61 | 28.2 |
| **LA/Long Beach** | **13.1** | **11.84** | **10.6** |
| Busan | 11.44 | 10.41 | 9.9 |
| Kaohsiung (Taiwan) | 9.71 | 8.84 | 9.8 |
| Rotterdam | 8.28 | 7.14 | 15.9 |
| **Los Angeles** | **7.32** | **7.18** | **2** |
| Hamburg | 7 | 6.14 | 14.1 |
| Dubai | 6.43 | 5.15 | 24.8 |
| Antwerp | 6.06 | 5.45 | 11.4 |
| **Long Beach** | **5.78** | **4.66** | **24.1** |
| Port Kelang (Malaysia) | 5.24 | 4.84 | 8.3 |

During 2004, trade valuing $240.6 billion moved through the ports of LA and Long Beach. This was an increase of 10.4% over 2003 figures. Both LA and Long Beach had already surpassed 2003 peak volumes by May of 2004 (Figures 2 and 3). China was the chief trading partner of the two ports, accounting for $102.4 billion, or nearly 43% of the total, an increase of 19% from the previous year (Port of Long Beach, 2005). Long Beach saw more dramatic growth than Los Angeles (24% compared with 2%) largely because of its ability to accommodate the new 8,000 TEU vessels. Four ships of that size began operation on Trans-Pacific routes in 2004, and all of them berthed in Long Beach. November 2004 was the busiest month ever at that port, a time when peak season is usually already over. The Port of Los Angeles is able to handle 8,000 TEU ships at two of its terminals but has not received any as of yet.

**Table 2: Top Container Ports**
**(% Change 2003-2004)**
**Source: Journal of Commerce**

| | % Change |
|---|---|
| Ningbo (China) | 44.5 |
| Jeddah (Saudi Arabia) | 36.5 |
| Dalian (China) | 32.4 |
| Shanghai (China) | 29 |
| Colon (Panama) | 28.5 |
| Shenzhen (China) | 28.2 |
| Tianjin (China) | 26.5 |
| Khor Fakkan (UAE) | 25.5 |
| Dubai (UAE) | 24.8 |
| **Long Beach (US)** | **24.1** |
| Xiamen (China) | 23.2 |
| Qingdao (China) | 21.3 |
| Santos (Brazil) | 20.7 |
| Guangzhou/Huangou (China) | 19.5 |

The surge in trade, particularly with Asia, had dramatic impacts on the operations of port facilities in Southern California. An inability to foresee the rapid rise in volumes resulted in additional transit times of 6-8 days for US shippers (Waterfront Coalition, 2005), including an additional 2-3 days on the intermodal rail network. The transportation industry planned for growth of 5% in 2004 when the actual figure was closer to 12% (Mongelluzzo, Nov. 29, 2004).

More than 100 vessels were diverted from San Pedro because of these problems and a lack of longshore labor to move cargo off the ships and out the terminal gates. During 2004, the terminals had to rely on part-time casual labor for a greater percentage of the work. There was also congestion on the road network in and around the ports where the number of daily truck trips can approach 35,000 and is expected to reach 90,000 by 2020 (Agarwal and Agarwal, 2002).

The increase in the number of 8,000 TEU mega-ships calling at the ports also has major implications for port operations. An unloaded ship of this size requires 2,000 truck chassis or 6 double-stack container trains, along with up to 140 acres of dockside land to handle both imports and exports (LAEDC, 2005). The ships can also cause scheduling conflicts. Their turn-around time in port can approach 5 days, three days longer than the average vessel.

The delays in the system cost the shippers more than just time in 2004. Just-In-Time delivery meant that some goods had to be shipped by air to make it to store shelves in the run-up to

Christmas, a considerably more expensive option than either truck or rail. Some companies blamed losses during the third quarter of 2004 on reduced inventory from the backlog at the ports (Gimbel, 2004).

**Figure 2: Port of Los Angeles Cargo Volume 2001-2004**
**Source: Port of Los Angeles**

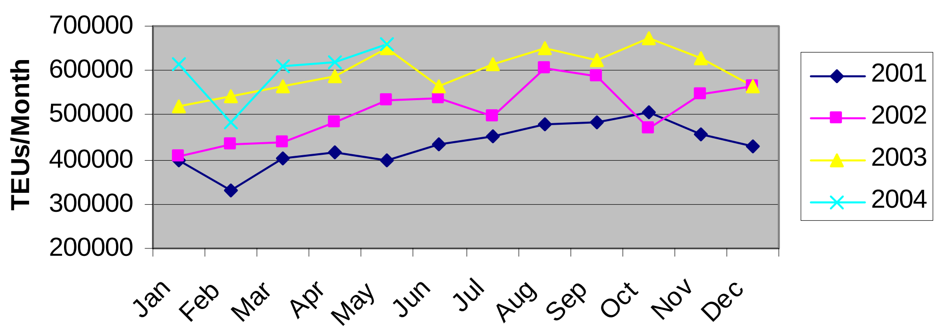
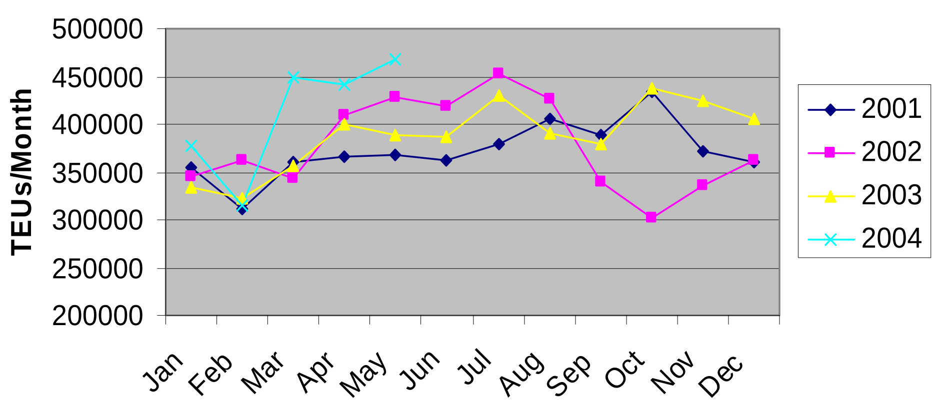



**Figure 3: Port of Long Beach Cargo Volume 2001-2004**
**Source: Port of Long Beach**



### 1.2 Individual Industry Segments and Supply Chain Congestion

A backlog of ships in the San Pedro Bay is more than a problem for the ports. It is emblematic of problems throughout the supply chain. Understanding the goods movement system then means understanding the motivations of actors at individual nodes and within key industry segments. This section analyzes the recent actions of important stakeholders that may have had an impact on the 2004 congestion in LA and Long Beach.

The ability to transport Asian goods to markets throughout the world depends upon the capacity of ocean carriers. In the recent past, these carriers have attempted to increase capacity with a greater number of ships carrying more containers, all the while recognizing the limitations of certain trade routes. These include capacity constraints and size limitations in the Panama Canal. The Canal operated at 95% capacity in 2004 (Leach, 2004) and cannot handle the new mega-ships.

Since the 2002 west coast port lockout, and with the memories of the 2004 congestion fresh in their minds, ocean carriers have been attempting to increase the number of all-water services between Asia and the US East Coast. This is a means of avoiding possible problems in LA and Long Beach. There are more than 1,000 container ships on order which will more than double the world fleet by 2007. Just under 180 of these are post-Panamax ships larger than 7,500 TEUs (Leach, 2005).

However, it takes time to put new ships into service. Carriers expect only five new ships in the 4,000-5,000 TEU range to enter the world fleet in 2006 (Barnard, 2004). In the meantime capacity remains a concern as containers are held over for future voyages for lack of space. There is also some question as to whether other ports, including those on the East Coast, can handle rapidly increasing volumes. Although some carriers chose to make Oakland the first port of call in response to uncertainty in Southern California; and while Oakland, Seattle and Tacoma enjoyed 20% increases in cargo volume between the first half of 2004 and 2005, due in part to ship diversions from San Pedro, the increase in container volume in LA-Long Beach between 2003 and 2004 was already larger than the capacity of most US ports. None of these can take on the role played by the San Pedro Bay complex.

Where ocean carriers require additional flexibility, they may look for solutions elsewhere in the supply chain. There are already suggestions that smaller customers could be dropped in favor of larger shippers with the ability to buy up remaining capacity. Shipping lines that do not own container terminals may also find themselves squeezed out of berthing space along the West Coast (Mongelluzzo, Jan. 31, 2005).

Once the container ship arrives at the port, it is up to the marine terminal to oversee the loading and unloading of the vessel. As volumes rise, most marine terminal operators look to three possible solutions, either in isolation or in combination, to accommodate growth: capacity-enhancing infrastructure, operational changes, and the adoption of new technology.

Infrastructure is costly but a necessary component of port efficiency.  Although major projects can take more than decade to complete, often because of environmental review, both ports have recently undertaken major capital improvements.

In Los Angeles, the Port is renovating a currently vacant 84-acre facility for a new tenant expected to take over in 2006. The Maersk terminal was recently expanded and, at 484 acres, is now the largest single-tenant container terminal in the US. The Port has also been negotiating with the BNSF Railroad to develop an intermodal railyard facility approximately five miles from the terminal complex. In 2004, Long Beach completed work on an expansion of the 375-acre Hanjin Terminal and has plans for a new 175-acre terminal and for a landfill project to expand an existing facility to more than 300 acres.

Operational changes allow the terminals some short-term improvement while waiting for major infrastructure projects to be completed. The most dramatic overhaul of operations throughout the two ports is the implementation of off-peak gate operations as part of the PierPass program. The program is a voluntary effort by the marine terminal operators developed throughout the spring of 2004 and approved by the Federal Maritime Commission in the summer of 2004. It forestalls legislative action previously proposed by CA State Senator Alan Lowenthal that would have required the terminals to adopt a more aggressive extended gate schedule.

PierPass results in full-service gates offered during evening and weekend hours. All loaded international containers that move through the terminal gates during weekdays are assessed a $40 per TEU Traffic Mitigation Fee. The fees are designed to fund the additional costs of off-peak operations at the terminals, estimated to be more than $150 million annually.

In addition to modifying the hours of operation, terminals have addressed the amount of free time allowed for a container on the docks. The hope is that by changing demurrage procedures, there will be an incentive for shippers to dispatch a truck for cargo pick-up more quickly and make the terminals truly transshipment centers and not storage yards.

Technology is another means of making the most of existing facilities and improving productivity. Many of the rules regarding the adoption of new technology at the ports are regulated by the latest contract agreed upon by the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA). The contract allows a terminal to implement new technology but must alert the union each time it plans to do so. The union has the right of challenge. Under these guidelines, terminals in LA and Long Beach have installed Optical Character Readers (OCRs) to help automate the check-in process for trucks at the gate. For real improvements in productivity to occur, OCRs will also have to be installed in the yards so that data sources are linked.

Apart from the question of technology, the primary concern with regard to labor is making sure that there are enough workers available to move the increase in cargo volume. This, and not the flood of containers, proved to be most problematic in 2004. Work gangs are typically assigned in conjunction with the number of cranes working a ship. During the peak season crisis, however, some terminals had to work an eight-crane ship with a maximum of five gangs because workers were not available. This increased the time it took to unload a ship and contributed to a backlog of containers on the docks (Mongelluzzo, Dec. 6, 2004).

In response, the PMA and the ILWU held a job lottery which had the result of increasing the full-time ranks of the union by 2,000 members. An additional 5,000 part-time “casuals” were also hired. But the time it took to organize the lottery and train new workers meant that there was no immediate fix to the labor problem and thus no immediate impact on congestion on the docks during the summer and fall of 2004.

Since that time however, new metrics have been established to improve the hiring and assigning of labor. Early 2005 indications are that any congestion in the new year is not a function of the labor supply. Instead the primary concern rests with capacity in the trucking, rail and intermodal segments of the industry.

Driver shortages appear to be the norm in trucking. Both congestion and rising fuel prices have eroded driver wages and reduced the ranks of owner/operators who are the large majority of the drayage industry and who contract with small trucking companies for port-related work. Because they are considered private contractors and not employees, drivers are prohibited under federal anti-trust legislation from cooperative action that could impede interstate commerce. This would include setting a single rate for their services. These are low-skill, low-pay jobs. Drivers receive a lump sum based on the cargo hauled and the distance traveled which must cover all costs including fuel, insurance, registration and maintenance regardless of time spent waiting on congested freeways.

The demand for trucks to move more and more containers is allowing truckers some leverage to pick and choose customers based on a number of factors (Mongelluzzo, Jan. 24, 2005). These include willingness to pay fuel surcharges, convenient pick-up and drop-off hours at distribution centers and warehouses, and customers guaranteeing a two-way haul, i.e. a guaranteed load to and from the port. Still, port drayage appears to be the weakest link in the supply chain. Driver shortages, masked by longshore labor shortages in 2004, are likely to be more apparent in 2005.

Railroad capacity is also a concern. The industry experienced some of the same labor concerns that the terminal operators experienced in 2004. Some available locomotives were not fully staffed and so sat idle both at the docks and at rail yards. Still, like volumes at the ports, rail traffic increased despite the problems along the supply chain. The number of nonintermodal carloads of freight (17.4 million) increased by nearly 3% from 2003 to 2004 and intermodal volumes rose a more dramatic 10.4% to 11 million trailers and containers (Congressional Budget Office, 2005).

Unlike many other ports in the US, the ports of LA and Long Beach have relatively good access to on-dock and near-dock rail facilities which help reduce the number of truck moves at the terminal gates and in the process improve efficiency. Both the BNSF and UP are also adding line capacity; and rail companies reduced free time and increased storage fees during 2004 to reduce inventory loads and reclaim valuable space at yards and intermodal facilities. BNSF has also decided to use trains that are a minimum of 7,500 feet in length to optimize rail throughput at the ports.

## 2.0 Postscript: The Onset of Peak Season 2005

With so much uncertainty throughout the supply chain, the onset of the peak season during the summer of 2005 was met with trepidation. The industry's worst fears have not been realized however; and the supply chain congestion experienced throughout 2004 has not been repeated. The timeline of key events surrounding port congestion (Table 3) indicates that both the perception and reality of congestion in 2004 were real. The perception that things improved during the first half of 2005 also appears to match reality.

This is due in part to the adjustments made in hiring at the docks. The new permanent longshoremen and the casuals that were hired too late to improve the situation in 2004 are now in place; and new hiring metrics allow the PMA to more accurately predict labor needs. The terminals are also experiencing a reduction in tardy shift starts. A 2004 arbitration ruling determined that ILWU workers trained for equipment-operating jobs have to take those jobs rather than wait for higher paying marine clerk positions to be announced in the dispatch hall. This allows a greater percentage of shifts to start on time.

The rest of the supply chain has also made adjustments. As of January 1, 2005 textile and apparel imports from Asia were no longer subject to quotas. There was a concern that, as result, import volumes would continue to rise and with them, congestion. Imports from Asia did in fact grow during the first part of 2005, but the rates were under 10% when compared with a 15% increase during the same period in 2004. The slower rate of growth translated into fewer vessels. According to the Southern California Marine Exchange, vessel arrivals at both ports declined in January, March and April of 2005 when compared with the same month the previous year.

Some of this is due to the fact that shippers appear to have shifted schedules and modified operating procedures in response to the problems of 2004. Some retailers are keeping a larger inventory (Mongelluzzo, June 27, 2005); some are using other ports to handle additional capacity. Inbound container volumes are increasing much more rapidly in Oakland, Seattle and Tacoma. Those ports are experiencing growth rates of 25% in 2005, compared with a 3% growth rate in San Pedro. Through May 2005 LA-Long Beach accounted for 75% of west coast imports, a sizeable number but down from 78% over the same five months in 2004. This is a result of modifications made by ocean carriers and shippers since the diversions and delays of a year ago.

Terminals have also made adjustments. The off-peak PierPass program began in July 2005, when full service gates were available to truckers during certain evenings and on weekends. Also in July the marine terminals at both Los Angeles and Long Beach modified their tariffs to reduce the amount of free time allowed for containers on the docks. It was hoped that both would contribute to a more efficient flow of goods off the ship and out the gate.

There is always the possibility that the same problems that plagued the supply chain last year will recur; and there can be no doubt that other west coast ports will only be able to handle a limited amount of traffic that once entered the US in Southern California. The supply chain is still vulnerable.

As cargo volumes are monitored and congestion is tracked, there are lessons from the 2004-2005 experience that will be useful. Goods movement is a balancing act between various different self-interests. While all are stakeholders, not everyone behaves in the best interest of the entire supply chain. There is an awareness of the need to develop solutions to common problems, but this goal is sometimes elusive. If your only concern is on the docks, then the hiring of additional labor means that a crisis has been avoided. But it does not mean that other pressure points, trucking for example, can be ignored.

The move toward extended gate hours is also worth observing as a clash of multiple self-interests. Everyone seems to more or less agree that off-peak operations are part of the solution to increasing cargo volumes; but they were initially adopted only in response to the threat of legislation. The costs may simply outweigh the benefits for individual stakeholders (even if the entire supply chain becomes more efficient as a result).

A second lesson: “crisis” is in the eye of the beholder. Despite the 8,000 TEU ships, the 100 ship diversions and the labor shortage, the ports of LA and Long Beach managed to handle an increase in container volume. Long Beach in particular accommodated a 23% increase. The ability of Oakland, Seattle and Tacoma (and other ports) to take some of the Southern CA containers may simply be an example of the supply chain at work and not in crisis. Again, it cannot be emphasized enough that there are capacity limits at these other ports as well; but in analyzing the supply chain as a system of ports, then the analysis may yield different results.

Finally, some attention should be paid to the term “peak season.” Peak volumes seem to be moving from October to November and without the drop-off that has traditionally occurred as Christmas approaches. This is a trend to observe. Have changes in our purchasing habits had an irreversible impact on the supply chain?

All of these issues are important considerations in the supply chain’s ability to handle increased cargo volume. What is still lacking is an industry-wide approach that will ensure that the various solutions are not at odds with one another, e.g. the possibility that extended hours established by the PierPass off-peak program conflict with hours of service rules that regulate the trucking industry. The attempt to address broader solutions was the subject of the panel discussion at the 7$^{th}$ Annual Town Hall.

| Date | **Table 3: Timeline of Key Events Surrounding Port Congestion 2004 and 2005**<br>**Event** |
|---|---|
| 8/2002 | Assemblyman Alan Lowenthal authors legislation aiming to reduce diesel emissions and truck idling at the ports. Known as the "Lowenthal Bill" AB 2650 was passed in August. Terminals have the option of extending terminal gate hours as a means of complying with the legislation. |
| 2002 | USEPA and California Air Resources Board grant the gateway Cities Council of Governments $4.7 million for air quality improvement projects. $1 million is earmarked for projects in the Port of Long Beach. POLB provides $1 million in matching funds. |
| 2003 | Port of LA joins Gateway Cities Clean Air program; contributes $10 million over 3 years. |
| 7/1/2003 | AB 2650 takes effect |
| 2/17/2004 | Lowenthal introduces AB 2041 to establish a Port Congestion Management District. |
| 4/5/2004 | Union Pacific asks customers to divert rail shipments to truck because of crew shortages and congestion. |
| 4/6/2004 | LB Harbor Commission passes $3 million plan to install radiation detectors, motion detectors and surveillance cameras throughout port as part of anti-terrorism efforts. |
| 4/15/2004 | Federal regulators approve technological enhancements to allow more thorough checks of cargo containers as part of anti-terrorism efforts. |
| 4/2004 | UP average velocity drops from 25 mph in 1st quarter of 2003 to 21.5 mph in 1st quarter of 2004 |
| 5/17/2004 | China Shipping Terminal, equipped with cold-ironing facilities and alternative-fuel yard equipment, opens |
| 5/21/2004 | Operations launched by Allied Port Truckers: plan to use union labor, company-owned fleet, and low-sulfur fuel |
| 5/2004 | Long Beach Harbor Commissioners approve hiring consultants for a truck trip-reduction program |
| 5/2004 | |

| | |
|---|---|
| | New proposal for expansion of the 710 freeway released |
| 5/2004 | California Trucking Association votes to ask the Federal Maritime Commission for anti-trust immunity so trucking companies can discuss common issues. |
| 5/2004 | POLB moves 468,029 TEUs this month, surpassing the 2003 peak movements of 436,8924 in October. |
| 6/4/2004 | West Coast Terminal Operators Discussion Group files plans for collection of a fee for container moves performed during the day with the Federal Maritime Commission. |
| 6/7/2004 | Truck drivers attempt to shut down port, demanding 43% raise in rates and a fuel surcharge to cover increased diesel costs. |
| 6/2004 | Flyer distributed calling for trucker support of nationwide port shutdown 6/28-7/04. |
| 7/9/2004 | PMA and ILWU reach agreement to hire new dockworkers due to threatening cargo backup. |
| 7/24/2004 | China Shipping vessel CSCL Asia, the world's largest container ship (at the time) arrives at POLB |
| 7/22/2004 | CARB adopts measure prohibiting trucks from idling for more than 5 minutes while waiting for terminal gates to open. |
| 7/2004 | Planned 4th of July trucker walkout unsuccessful. |
| 7/2004 | POLB Harbor Commissioners approve port tariff to be charged to terminals which fail to reduce emissions by specified amounts. |
| 7/2004 | Diversion of ships to other West Coast ports begin as number of ships at anchor grows. |
| 7/2004 | UP announces it is operating at capacity and will not accept new business. BNSF begins limiting the number of containers it will accept each day. |
| 7/2004 | Statistics released show June container imports up 19.3% (Long Beach) and 13.1% (Los Angeles) over June, |

| | |
|---|---|
| | 2003. |
| 7/2004 | 1,100 temporary longshore workers brought in to aid with most basic tasks. |
| 7/2004 | Terminals moving ahead with plan to begin night gates and day-use fee in November. |
| 8/10/2004 | 60 ships in port; 20 waiting at anchor (beginning of Christmas busy season) |
| 8/16/2004 | Ship turn times up to 5-6 days (normally 3-4 days); at least 14 ships diverted to U.S. and Mexican ports |
| 8/17/2004 | 71 ships in harbor; 22 of them at anchor. At least 17 vessels have been diverted since congestion began. Ship turnaround time remains at 5 to 6 days. |
| 8/19/2004 | ILWU & PMA begins hiring 3000 new casual workers to deal with backlog of cargo at the ports. 3,000 names are drawn from between 300,000 to 700,000 entries received for the chance to become a casual worker with the ILWU. |
| 8/23/2004 | PMSA announces plans for PierPass, full service night and weekend truck gates as well as a daytime container move surcharge of $40. Original target date of Nov. changed to Spring 2005. |
| 8/28/2004 | 19 documented diversions of ships to other ports. Turnaround times rise to 6 to 7 days. |
| 8/2004 | PMA and ILWU announce plans to register 1,000 current casuals as Class B union members. |
| 8/2004 | Los Angeles Mayor Jim Hahn orders feasibility study of inland port for cargo distribution. |
| 8/2004 | The Los Angeles Port Commission approves the port's first official Rail Policy which calls for an ICTF in Wilmington to be operated by BNSF. |
| 8/2004 | SB 348, aimed at changing way marine terminals relate to truckers and shippers, passed. |
| 8/2004 | In response to PierPass proposal, Assemblyman Alan Lowenthal withdraws AB2041, which would have mandated night gates and day movement fees. |
| Late August, 2004 | Some terminals began operating extended gate hours at their port facilities. |
| 9/30/2004 | AB2043 signed into law: requires public hearings and data compilation on growth and congestion issues at California ports. |

| | |
|---|---|
| 10/2004 | Governor Schwarzenegger vetoes SB348 (terminal/trucker relationships) |
| 10/2/2004 | COSCO adds two 8000 TEU vessels to its Long Beach route. |
| 10/11/2004 | 50 ships at anchor in harbor. Ships are waiting 3-4 days just to get labor; turnaround times at a week. |
| 10/2004 | 23 confirmed diversions: 8 to Manzanillo; 8 to Oakland; 3 to Panama; 2 to Yokohama; 1 to Stockton; 1 to San Diego |
| 10/2004 | 40 confirmed diversions since July. |
| 10/2004 | Citing congestion, Hanjin sends larger vessels to Northwest ports, switches smaller ships to LA/LB |
| 10/2004 | Study shows that extended gate hours are the single most effective way to get trucks off of the 710 freeway during weekday work hours. |
| 11/1/2004 | More than 20 ships diverted during October; at least 6 diversions for November already planned |
| 11/19/04 | Shippers declare an end to cargo backlog; Ship turnaround times return to normal and no ships idle at dock |
| 11/21/2004 | 11 ships at anchor in harbor |
| 11/2004 | Allied Port Transporters files for bankruptcy |
| 11/2004 | Terminal operators announce that extended hours will be introduced simultaneously for all five weeknights, rather than phased in one night at a time as previously planned. No date is set for the implementation of the PierPass program. |
| 11/2004 | Marine Exchange predicts that total diversions from 7-12/2004 will reach 104. Containerized imports increase 14% at LA-Long Beach during the month despite diversions. Long Beach records its busiest month ever. |
| 11/2004 | Transportation Secretary Norman Mineta announces the opening of the Southern CA Gateway Initiative and a federal office in Long Beach, in part, to help relieve congestion around the ports. |
| 11/29/04 | PMA reports no gang shortages and no ships idle coming out of Thanksgiving holiday weekend. |

| | |
|---|---|
| 12/4/2004 | 6 ships at anchor in harbor. |
| 12/21/2004 | Panama Canal Authority renews MOUs with East Coast ports to boost all-water Asian shipping. |
| 12/2004 | Bureau of Transportation Statistics announces that Port of Los Angeles has becomes the nation's most valuable trade conduit, surpassing JFK Airport for total value of goods imported and exported through any freight gateway. |
| 12/2004 | 37 diversions in November |
| 1/1/2005 | AB 2650 to change: queuing outside terminals will be limited to 30 minutes, whether or not truck is idling. |
| 1/1/2005 | Under WTO, import quotas for textiles and apparel are lifted |
| 1/5/2005 | Teamsters propose legislation to improve working conditions for truck drivers, which would include giving owner-operators the right to organize and the formation of a joint powers authority to improve efficiency and emissions. |
| 1/27/2005 | Los Angeles MTA approves plans to widen the 710 freeway, including 4 dedicated truck lanes. |
| 1/2005 | State Senator Richard Alarcon introduces SB 45, which aims to reduce demurrage and detention fees levied by terminal operators. |
| 1/2005 | Alameda Corridor Transportation Authority approves rail shuttle pilot program to test feasibility of short-haul container rail service between the ports and inland distribution centers. |
| 1/2005 | PierPass newsletter reports that program implementation is scheduled for March. |
| 1/2005 | Early January storms force the closure of all 5 Union-Pacific rail lines leading out of Los Angeles. |
| 2/2005 | Negotiations between BNSF and Los Angeles port executives about construction of an intermodal facility just north of the ports. Such a facility is expected to remove up to 1 million truck trip yearly from the 710. |
| 2/2005 | PierPass administration announces that launch date is postponed to June 1due to problems with software development bids. |

| | |
|---|---|
| 2/2005 | Year-end statistics show that container traffic on the Alameda Corridor increased faster than container traffic entering through the ports. |
| 2/2005 | The San Pedro Bay Ports Container Vessel Forecast predicts that eleven 10,000 to 12,000-TEU ships will call at the ports weekly in 2020. |
| 2/2005 | Transpacific Stabilization Agreement warns of “more of the same, and maybe worse” port and rail congestion |
| 2/22/2005 | Introduction of many port-related bills:<br>• SB 760 would charge a fee of $30/container to be spent on security, congestion, and pollution<br>• SB 761 would require truck turn time be under 60 minutes, or the terminals would have to pay a fine<br>• SB 762 would require trucks serving the ports to be licensed by a joint powers authority<br>• SB 764 places cap on port-related pollution<br>• SB 848 allows owner-operator truckers to bargain collectively<br>• AB 1406 charges $10/container to fund security gates<br>• AB 1101 defines diesel magnet areas (e.g. ports & distribution centers) and would require them to meet the same air quality standards as stationary sources<br>• SB 45 prohibits chassis or container owners from imposing detention or demurrage fees under certain circumstances<br>• AB 888 authorizes the SCAQMD to establish a railyard equipment emission reduction program<br>• SB 459 allows the SCAQMD to impose emission mitigation impact fee on railroads<br>• AB 1222 requires CARB to encourage testing, repair, or replacement of high-polluting locomotives |
| 3/2005 | Union Pacific will change near-dock operations so that all international containers will pass through its Carson facility instead of being drayed to Commerce. This should remove 500,000 truck trips yearly from highways. UP wants to expand its Carson yard. |
| 3/2005 | Officials form Kansas City and Lazaro Cardenas, Mexico sign a cooperative agreement to establish a new Trans-Pacific trade corridor to alleviate delays and congestion at west coast ports. |
| 4/2005 | PierPass launch delayed from June 1 to July |

| | |
|---|---|
| 5/2005 | LAEDC projects container activity at LA-Long Beach to increase 9.9% in 2005 to a total of 14.4 million TEUs. Shift in “first call” services at other ports to be offset by more 8,000 TEU ships in Southern Cal. |
| 5/2005 | Marine Exchange of Southern California reports no congestion of ships or cargo at San Pedro ports; Containership calls averaging 47% of all arrivals at ports, compared to 52% in 2004 |
| 5/2005 | Chinese communications minister announces that volume of cargo passing through China’s ports is expected to rise more than 50% by 2010, to 6.1 billion tons |
| 7/2005 | Grocery Manufacturers Assoc. releases report claiming 23% increase in transportation costs to an average of $1.69/mile between 2002 and 2005. Transportation costs now 62% of all logistics costs. |
| 7/2005 | PierPass launches |
| 7/1/2005 | Complimentary storage time for outbound cargo reduced from seven business days to six at LA-Long Beach. For inbound cargo, free time is reduced from five days to four. Free days now counted from the time unloading of a vessel begins, not ends. |
| 7/6/2005 | PMA reports no labor problems over July 4 holiday |

**Timeline compiled by Thomas O’Brien, Ph.D., and Paul Dell’aquila and Sara Hayden, research assistants at the USC School of Policy, Planning, and Development.**

## REFERENCES


Agarwal, A. and Agarwal, S. (2002) Transportation, International Trade and Economic Competitiveness. Symposium Proceedings, NCHRP Project 20-24(23)B. Los Angeles, California: METRANS Transportation Center, University of Southern California. Available at http://www.metrans.org/whatsnew/ AASHTO/ AASHTO% 20Final %20 Report.pdf

Barnard, B. (2004) "Carriers Face Critical Shortage of Box Ships." Journal of Commerce Online Dec. 22, 2004.

Congressional Budget Office (2005) Freight Rail Transportation: A Review of the 2004 Experience. Washington DC: Congress of the United States, Congressional Budget Office.

Gimbel, B. (2004) "Yule Log Jam." Fortune Dec. 13, 2004.

Kyser, J. and G. Huang. (2005) International Trade Trends & Impacts: The Southern California Region 2004 Results and 2005 Outlook. Los Angeles, CA: Los Angeles County Economic Development Corp.

Leach, P. (2004) "Full-speed Ahead." Journal of Commerce Dec. 6, 2004, pp. 18-20.

Leach, P. (2005) "Quality, Quantity, or both?" Journal of Commerce March 28, 2005, pp. 16-18.

Mongelluzzo, B. (2005) "Peak Fading into Bad Memory." Journal of Commerce June 27, 2005.

Mongelluzzo, B. (2005) "Carriers Facing West Coast Terminal Crunch." Journal of Commerce Online Jan. 31, 2005.

Mongelluzzo, B. (2005) "In the Driver's Seat." Journal of Commerce January 24, 2005, pp. 10-13.

Mongelluzzo, B. (2004) "Too much, Too Soon." Journal of Commerce Dec. 6, 2004, pp. 12-16.

Mongelluzzo, B. (2004) "Don't Wait till Next Year." Journal of Commerce Online Nov. 29, 2004.

Port of Long Beach (2005) Tielines, A Port Newsletter June 2005, p. 3.

Waterfront Coalition (2005) National Marine Container Transportation System: A Call to Action. Washington, DC: Waterfront Coalition.

**ACKNOWLEDGEMENTS**

Funding to support the development of this document was provided by the METRANS Transportation Center through grants provided by the US Department of Transportation and the California Department of Transportation. Comments provided by the Policy and Steering Committee of the Center for International Trade and Transportation at California State University, Long Beach are greatly appreciated. All errors and omissions are the responsibility of the author.

*A Special Thank You to the Town Hall Sponsors and Industry Endorsements*

*Sponsors:*

**United States Department of Transportation**

**Long Beach Business Journal**

*Industry Endorsements:*

California Highway Patrol • California Marine Intermodal Transportation System Advisory Council • California Trucking Association • Council of Supply Chain Management Professionals • Foreign Trade Association • Gateway Cities Council of Governments • Gateway Cities Partnership, Inc. • Harbor Association of Industry and Commerce • Harbor Transportation Club • International Business Association of Southern California • International Trade Club of Southern California • Long Beach City College Office of Economic and Resource Development • Los Angeles County Economic Development Corp. • Los Angeles Custom Brokers and Freight Forwarders Association • Los Angeles Transportation Club • Pacific Merchant Shipping Association • Propeller Club of Los Angeles-Long Beach • Women in International Trade • Women's Transportation Seminar Los Angeles • World Trade Center Association Los Angeles-Long Beach