Costing cargo

Seven container ships were backed up outside LA–Long Beach at the end of October, down from a peak of 109 vessels in January (pictured). Howard Freshman / Shutterstock.com

LA-LB cargo flow improves amid diversions linked to prolonged labor talks

By Bill Mongelluzzo

KEY INDICATORS OF port congestion — vessel backlogs, container dwell times, and chassis street dwells — in Southern California have improved over the past two months as shippers diverted a "huge segment" of their imports away from the US West Coast while longshore contract negotiations dragged on, according to the executive director of the Port of Los Angeles. But improved fluidity in the largest US port complex is not good for the overall US freight supply chain because ports along the East and Gulf coasts continue to struggle with congestion.

"We shifted the problem from one coast to another," Gene Seroka told a virtual press conference Oct. 19.

Seroka was joined by Jay Timmons, CEO of the National Association of Manufacturers(NAM), who said prolonged contract negotiations between the International Longshore and Warehouse Union (ILWU) and West Coast terminal operators represented by the Pacific Maritime Association (PMA) have disrupted supply chain planning

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efforts by NAM members. The recent tense contract negotiations between US freight railroads and their unions have added to the uncertainty.

"Labor uncertainty is a big supply chain issue," Timmons said. "These disruptions play havoc with the supply chain."

According to PIERS, a sister product of *The Journal of Commerce* within IHS Markit, part of S&P Global, US imports from Asia increased 11.8 percent to the East Coast and 29.2 percent to the Gulf Coast for the nine months through September but were down 1.7 percent to the West Coast. The most recent ILWU coastwide contract expired on July 1, and there have been several incidents of cargo-handling disruptions at West Coast ports since then. In past contract years, disruptions picked up when negotiations dragged on into the fall.

Less cargo, less congestion

West Coast terminal operators, truckers, and chassis providers told *The Journal of Commerce* that softer cargo volumes are a major contributor to improved fluidity at the ports.

"We're not seeing the same volume we used to. Less cargo means fewer trucks and fewer delays,"

up to a commitment made in 2008 to support the dockworkers in jurisdictional disputes with other unions. It was that commitment, dockworkers say, that led them to agree that year to automation in contract language that has resulted in three terminals at Los Angeles–Long Beach installing automated cargo handling technology and at least two more considering that option.

Negotiators have failed repeatedly in recent months to resolve the Seattle dispute, leading employers to escalate it to officials in Washington, DC, and delaying discussion on other issues such as compensation. The financial situation of carriers has deteriorated since May, when in its initial demands the ILWU sought a "significant" increase in compensation that one source pinned at 40 percent. Since then, trans-Pacific spot rates have collapsed and are now below $2,000 per FEU to the West Coast, near breakeven levels for ocean carriers.

On the other hand, the union's negotiators are not under any pressure from the rank and file to rush into a contract. That's because West Coast longshoremen have worked more hours so far this year than during the same period last year.

"I don't see it getting resolved in the next couple of weeks. We're probably months away."

According to numbers provided by the PMA, ILWU working hours paid through the first week of October totaled 29.3 million, up 4 percent from the 28.2 million hours paid during the same period last year. Working hours are up even though US imports from Asia to the West Coast were down 1.7 percent in January through September compared to the first nine months last year, according to PIERS, a sister product of *The Journal of Commerce* within IHS Markit, part of S&P Global. JOC

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of Textiles and Apparel (OTEXA), underpins Bangladesh's position as an apparel manufacturing powerhouse. In terms of dollar value, the subcontinent nation saw ready-made garment (RMG) exports to the US soar 53.5 percent year over year to $6.64 billion through August.

Manufacturers and exporters in the Bangladeshi capital of Dhaka that spoke to *The Journal of Commerce* were bullish on sustained demand for RMG merchandise.

"Our industry is poised to build on the successes of 2022 and continue to grow export revenues," said Mohammed Muksudur Rahman, senior commercial manager at M&G Group. "Bangladesh's inherent strengths in the apparel market, combined with pro-industry government policies, cheap labor availability, and duty-free-and-quota-free [DFQF] advantages, present a brighter outlook for exports."

Bangladesh outbound containers are mainly feedered to Colombo in Sri Lanka or Singapore in the absence of direct long-haul connections. Chittagong port has three or four feeder sailings a week for transshipment trade out of those intermediate ports.

India recently put in place new, liberalized customs guidelines allowing Bangladeshi exports to be transshipped via the ports of Nhava Sheva (JNPT) or Mundra.

US imports from Bangladesh jumped 15 percent to 103,877 TEU in the first eight months of 2022, the most ever for that period.
Richard H Grant / Shutterstock.com

Challenges exist

Industry sources in Dhaka are also betting that Bangladesh exporters have an opportunity to grab a good portion of likely western apparel procurement shifts from Myanmar, another low-cost producer that has been dogged by prolonged insurgency and political issues, which undeniably vex sourcing and supply flows.

Additionally, manufacturers in Vietnam who have gained the most from sourcing movement out of China now tend to prioritize high-value orders and/or large retail clients, thus prompting some importers to seek alternative intra-regional sourcing options that could highly favor Bangladesh.

However, spelling out the challenges, sources in Dhaka noted that a worsening shortage of power and industrial gas is causing concern for apparel manufacturers as they increasingly ponder the inevitability of a slowdown in demand because of recessionary conditions plaguing larger economies.

"The energy crisis — rooted in geopolitical factors — and associated cost increases have already sent several small and medium-sized manufacturing units out of their production lines," an executive at a Dhaka-based exporter who asked not to be identified told *The Journal of Commerce*.

"The industry has already raised alarm bells through the government circles," the official added. JOC

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