



PORT OF OAKLAND

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## Vessel Backlog Disappearing

A vessel backlog at the Port of Oakland is disappearing. The Port said today no ships are anchored in San Francisco Bay awaiting berths. Only two are holding station outside the Golden Gate until berths open. That's down from a high of 20 vessels waiting to dock at the Port in mid-February.

The reduction in delayed vessels is another indication that efforts to eliminate a cargo backlog are succeeding. The Port said today gains in container movement are visible from ship to shore. The signs include:

- Delays of only 1-to-2 day for the few vessels awaiting berths, a significant improvement from previous months;
- Growing terminal capacity;
- Better terminal productivity.

The Port said the cargo backup resulting from nine months of bargaining disputes should clear in less than two months.

"This isn't victory—there's still a great deal of work to do," said Oakland Maritime Director John Driscoll. "But we're seeing good progress and our customers will soon benefit from faster, smoother cargo flow."

Labor-management disputes created a logjam at all major West Coast ports over the last three months. The result was a coast-wide delay in releasing import containers to customers. At Oakland—a major U.S. export gateway—there was also a lag in placing exports on ships.

Port officials said marine terminals have cleared out the import buildup in their container yards. Delays are now mostly limited to containers still stowed on ships destined for Oakland but delayed at congested Southern California ports. The Port cautioned that temporary yard delays and lengthy truck lines can recur as workers accelerate operations to eliminate the vessel backup.

### Here's the full status report for the Port of Oakland:

**Vessel Backlog:** Ships are no longer anchored in San Francisco Bay. Vessels continue to arrive late after lengthy delays at Southern California ports. That could continue for a month or more as the ports of Los Angeles and Long Beach struggle with severe congestion. Shipping lines that were truncating voyages in Los Angeles to get back on schedule are now resuming Oakland calls.

**Cargo Buildup:** Marine terminals that were overflowing with import cargo awaiting pick-up have cleared out the backlog. The Port of Oakland's two largest terminals are operating at 50-to-60 percent of container yard capacity. That means they have room to handle more volume.

## Customer Sees Improvement

A major California exporter sees progress in Port of Oakland efforts to eliminate a cargo backlog. Stockton-based Capital River Group says the velocity of its cargo volume through Oakland gates has increased in three consecutive weeks. It's a sign that trade is rebounding after months of disruption from West Coast waterfront contract disputes.

"It's good news for sure and an encouraging trend," says Todd Lush, President of the international feed and biomass distributor.

The company's trade and transportation insight is first-hand. Capital River will send more than 57,000 TEUs of cargo through the Port of Oakland this year. It exports feed and biomass fuel to China, Japan, Korea and Southeast Asia. Subsidiaries are engaged in trucking, trans-loading and warehousing.

Capital River says West Coast cargo slowdowns reduced 2014 earnings compared to previous year results. It anticipates better results now that a tentative contract settlement raises expectations for improved port productivity. The company said it will continue to export exclusively through Oakland.

"Oakland is the place to be as I am convinced the percentage of growth over the next decade in Oakland will far exceed that of Los Angeles-Long Beach or Seattle-Tacoma," says Mr. Lush. "Growth and opportunity, I want my companies in that zip code."

Mr. Lush points to the former Oakland Army Base as a draw for future business to the Port. The Port is constructing a logistics center on the property adjacent to its current facilities. It will include new trans-load warehouses supported by a major rail yard. "The opportunity to build out 300 or so acres of modern infrastructure this close to the terminals has everyone in Los Angeles and Long Beach green with jealousy," he says.

Mr. Lush is calling for Port improvements to help shippers recover from the recent cargo buildup. They include:

- Normalized vessel rotations to restore calls omitted by ships delayed in Southern California;
- More efficient use of equipment by shippers and logistics providers, increasing street turns and reducing gate transactions; and
- A gray chassis pool to spur efficiency.

"I believe the Port's help to promote and encourage the gray pool will be key," says Mr. Lush. "The rest of the responsibility will be on the logistics community and ocean carriers to better match moves in and out."

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**Imports:** Marine terminals have cleared out the backlog of imports that had been stranded in container yards. As they're discharged from ships, imports are available for pick-up. That's in stark contrast to previous months when cargo owners waited weeks to collect loaded containers. Imports are still delayed on ships stranded at Southern California ports before calling in Oakland. Temporary cargo backlogs may re-emerge inside terminals in the rush to eliminate the vessel logjam down South.

**Exports:** Marine terminals are again opening their gates to exports destined for overseas markets – primarily in Asia. Export loading had diminished as Asia-bound vessels bypassed Oakland to recapture time lost at Southern California ports. Now that the ships are returning to Oakland, export capacity is increasing.

**Labor:** Requests for longshore labor to work in terminal yards are being filled. Some labor shortages in vessel operations are being reported at Oakland and other West Coast ports. That's due to extraordinary demand created by the vessel backup. On average, 5-to-10 ships a day are being loaded and unloaded in Oakland. Typically that number would be 3-to-5 ships.

**Productivity:** Massive gantry cranes that load and unload ships are moving 25-to-30 containers per hour. That's near the Port's historic average of 30-to-35 moves – among the best on the West Coast. Vessels that are normally worked in one day still require several days for loading and unloading. But the turnaround time has dropped significantly in recent weeks.

**Equipment:** The supply of chassis -- the truck trailers that containers ride on over the road -- is growing. That's because once-overcrowded marine terminals again have room to accept empty containers. Empty returns had been mostly blocked during the cargo buildup. That kept the chassis they were paired with out of circulation.

**Truck Transactions:** Wait times for drivers at terminal gates have improved. So have turn times inside terminal gates. However, there are still spikes in waiting times at some terminals. This situation is likely to recur when the backlog of ships in Southern California eventually breaks.

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## They Said It

*Hamburg Süd will re-instate Oakland calls on the PNW string of its Australia/New Zealand service. Effective with the arrival of the "Cap Pasado" voyage 924 northbound on April 21 in Oakland, the port will be called again on a direct basis. Oakland calls were suspended during the ILWU/PMA labor dispute.*

—American Journal of Transportation

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## Settlement Applauded

The Port of Oakland applauds the tentative agreement of a new longshore labor contract for the West Coast waterfront. At the same time, it's calling for efforts to accelerate the movement of global container trade.

"We are pleased that an agreement has been reached," said Chris Lytle, the Port's Executive Director. "Now it's time for all sides to pull together and get cargo moving with the speed our importers and exporters need."

Tentative agreement on a new 5-year contract between waterfront employers, represented by the Pacific Maritime Association, and the International Longshore and Warehouse Union (ILWU) was announced Feb. 20. The Port of Oakland did not participate in the contract negotiations. As a landlord port, it leases facilities to marine terminal operators who employ longshore labor.

With a contract in place, the Port said its top priority is immediate resumption of uninterrupted cargo operations. It called on terminal operators, labor, truckers and ocean carriers to join forces and quickly restore productivity. "Shippers are looking to us to accelerate the flow of cargo," Mr. Lytle said. "We owe them our best effort."

The contract covers 29 U.S. West Coast ports including the Port of Oakland. Here's a look at what the deal means for the maritime sector and global trade.

### The Contract

**Q:** So this nine-month dispute is finally over?

**A:** Union members must first vote on the proposed contract. It's not certain yet when that vote will be taken.

**Q:** Will there be more slowdowns, stoppages and delays in the meantime?

**A:** Both labor and management will hopefully commit to full productivity at the ports while ratification of the contract is pending. There have been several disruptive incidents recently.

**Q:** Why did this take so long?

**A:** A number of issues were negotiated at length including labor jurisdiction, health and benefits, technology and arbitration.

**Q:** What are the highlights of the deal?

**A:** It's best to get that from the two negotiating parties. The Port of Oakland was not involved in the contract talks.

**Q:** Will it be more of the same at the next negotiation?

**A:** There's a history of challenging bargaining over waterfront contracts. The hope is that both sides will recognize the need to settle future contracts without further damaging the economy.

### Port of Oakland's Role

**Q:** How could you let this contract dispute drag on for nine months?

**A:** The Port of Oakland was not part of the contract negotiations. The Port is a landlord, leasing facilities to marine terminal operators. Those operators hire longshore labor and negotiate contracts with the union.

**Q:** So you were powerless during this whole episode?

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**A:** We had no authority to bring about a contract settlement. We did, however, advocate vigorously for a settlement and communicated continuously with the negotiators. We also worked closely with terminal operators, shippers and truckers to mitigate the effects of the dispute.

**Q:** If you're only the landlord, what can you do help restore normal operations at the Port?

**A:** We're working with the Port's stakeholders on new measures to expedite cargo flow and clear out the backlog. We're visiting other ports in search of new ideas. We're also stepping up communication to customers to help them restore their supply chains.

### Impact of the Dispute

**Q:** How much money did the Port of Oakland lose because of this dispute?

**A:** It's too soon to tell if there has been a financial impact. The real risk is jobs. If shippers divert cargo permanently away from U.S. West Coast ports, jobs will be at risk. More than 73,000 jobs depend on the Port of Oakland. A large number of those could be jeopardized if cargo owners choose alternative gateways.

**Q:** Why should shippers continue to use the Port of Oakland?

**A:** More than 85% of the imports routed through Oakland are for final destinations in Northern California. The Port of Oakland is the convenient gateway for that cargo. Likewise, for Bay Area and Central Valley exporters – Oakland is the best choice. The goal is to increase business through Oakland. The Port is gearing up with new developments that will make it the West Coast's leading transportation and logistics center. This will include warehousing, transloading, cold storage and grain transport. Oakland is also an improving intermodal cargo gateway with good rail connections to the U.S. interior.

**Q:** How do you keep faith with shippers who lost business and money because they couldn't get their cargo?

**A:** This is the top priority for the Port of Oakland. Service must improve. The Port must be easier to do business with. One-on-one meetings and customer forums help with understanding the needs of shippers. It's the Port's responsibility to meet those needs in collaboration with marine terminals, shipping lines and trucking companies.

**Q:** What can cargo owners do to get their containers out of the Port?

**A:** They should contact the shipping line that transported their cargo or the marine terminal where it's awaiting release.



## No More Business as Usual



J. Christopher Lytle  
Executive Director

Disruptions from waterfront labor negotiations have waned, but don't expect a return to business as usual at West Coast ports. "The old methods won't work any longer," Port of Oakland Executive Director Chris Lytle said this month.

Addressing shippers and other stakeholders at a meeting of The Waterfront Coalition in Long Beach, Mr. Lytle said his industry must change, "We can't go back to the way it was; that's not acceptable," he told an audience that included Federal Maritime Commission Chairman Mario Cordero. "We have to do a better job for our customers if we want to hold onto our market share."

Mr. Lytle joined other West Coast port executives in addressing the aftermath of nine months of labor-management disputes on the waterfront. The longshore contract impasse ended February 20 with a tentative settlement of a new contract for ports from Seattle to San Diego.

Ports now are digging out from a cargo backlog that has hampered retailers and other shippers in the US. Mr. Lytle called for a number of improvements to reshape his industry as recovery from the labor dispute continues. They include:

- Reduced transaction times for harbor truck drivers who can spend more than two hours inside marine terminals picking up cargo;
- Better measurement of terminal operating performance; and
- A new labor-management relationship.

"We need a new mindset for negotiating," Mr. Lytle said. "What we just went through was the worst experience in my professional career. I don't want to go through that again."

Mr. Lytle said there is an opportunity for ports to play a greater role in labor relations by working with labor and management for greater collaboration.

The Port of Oakland does not hire longshore labor. That is the role of terminal operators and shipping lines in the Pacific Maritime Association. Nevertheless, Mr. Lytle said the port will meet with local labor officials and encourage them to take part in talks with shippers who rely on the Port of Oakland to move their cargo. "Better understanding of shipper needs can lead to better outcomes in future bargaining," he added.

Mr. Lytle said the port will work with terminal operators to develop uniform methods of collecting and distributing performance data. Shippers and the truck drivers they hire have asked for the information to streamline the pick-up and delivery of containerized cargo.

"The port will also work with leasing companies to improve the availability of truck chassis," Mr. Lytle added. Chassis have been in short supply at all West Coast ports during the recent cargo build up. Mr. Lytle indicated that the Port will work toward a common pool of the trailers to prevent shortages from recurring.

## In ILWU-PMA Deal, Damage is Ignored

By Peter Tirschwell

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The [short announcement](#) on Feb. 20 that a West Coast labor agreement had been struck spoke loud and clear to why the current system of longshore labor relations is rotten to the core. After subjecting thousands of companies to months of costly delays and disruption, you would think the International Long shore and Warehouse Union and the Pacific Maritime Association would acknowledge the pain they caused and perhaps say something to the effect that efforts will be made to restore trust in West Coast ports. After all, it's the shippers' cargo that ultimately pays the bills and there are no shortage of alternative routes for non-discretionary cargo.

Nothing of the kind was said, other than a line that the agreement will be "good for workers and for the industry." To the extent it was not coincidental that "workers" appeared in the sentence before "industry"—and I'm sure it wasn't—it lays bare the insular priorities of the negotiating parties, versus the larger economy that depends on well-functioning ports. It was left to port authorities like Oakland to acknowledge the customer and its concerns: "Shippers are looking to us to accelerate the flow of cargo," Oakland executive director Chris Lytle said in [a press release](#) after the settlement was announced. "We owe them our best effort."

The failure by the negotiating parties to even acknowledge the damage to sales, employment, profits and future business opportunity speaks to how a national economic engine like the West Coast port system is under the control of parties whose first loyalty is to themselves versus the economy. The lack of an iota of acknowledgement or responsibility also underscores the descent of the PMA-ILWU relationship into bitterness and hostility over the past several months, such that any joint wording about working together for a better collective future was impossible by the time the agreement was grudgingly signed on Friday evening. That was a far cry from the halcyon early days of the negotiations last June and July when the ILWU and PMA on several occasions jointly announced that "both parties have pledged to keep cargo moving." How distant and empty those words seem now.

And it wasn't as if others were coming to the aid of shippers either. And as the economic pain emanated outward from the West Coast Washington appeared either oblivious or unconcerned, or both, with the White House only stepping in after the news started making national headlines. That does not bode well for the idea that the process will be meaningfully reformed, such that disruption will be dismantled as a tool of leverage, during the five-year duration of the new agreement.

What we will now see is a significant reaction from importer and exporter companies. Not all cargo can avoid the West Coast — not by a long shot — but unlike 2002 when many C-Suites were blindsided by the 10-day lockout, this time there is complete understanding of the risks and a full realization that, though it may be five years in the future, they will be going through this all over again unless long-term changes in their supply chains are made starting now.

As my colleague Bill Mongelluzzo writes [in an analysis](#) today, "importers and exporters, disgusted by months of fruitless contract negotiations, port congestion and public bickering between the ILWU and PMA, will say enough is enough. Retailers and direct shippers in

surveys have indicated they will most likely shift some of their cargo volume to East Coast ports."

Oakland put it well in a Q&A issued after the settlement:

**Q:** Will it be more of the same at the next negotiation?

**A:** There's a history of challenging bargaining over waterfront contracts. The hope is that both sides will recognize the need to settle future contracts without further damaging the economy.

Hope — that's about all the reassurance shippers can have at this point.

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## Cargo Volume Declines

February cargo volume at the Port of Oakland declined 36.67 percent from last year, the Port has reported. But it added that the cargo backlog that caused the decline is on its way out.

"Cargo is moving and the vessel backlog is shrinking," said Maritime Director John Driscoll. "With capacity again available in our marine terminals, volumes should begin building soon."

The Port said containerized import volume dropped 39% in February from the same period last year. Exports were down 34%.

Similar results have been announced at most other major West Coast ports. That's the after-effect of a nine-month waterfront contract dispute that constricted cargo movement from Seattle to San Diego. Labor and management reached tentative agreement on a new pact Feb. 20. It awaits union ratification.

Analysts forecast an uptick in containerized West Coast trade volume as the cargo backlog disappears. In a sign that Oakland is recovering, the Port said today that just two vessels were holding station in the Pacific Ocean just beyond the Golden Gate awaiting terminal berths. That's a significant drop from the 20 vessels awaiting berths in mid-February, the Port said.

A large part of the Oakland backlog resulted from severe congestion at Southern California ports. Late-arriving vessels from Los Angeles and Long Beach bunched up in Oakland, disrupting schedules and causing container yards to overflow. The Port said it has now cleared out much of the cargo backlog. Some lingering cargo delays are caused by ships still stranded in Southern California.

Import containers in Oakland are getting to customers faster the Port said, because terminals have room to operate. It added that terminal gate operations have improved, which reduces waiting time for harbor truckers. The Port warned of periodic volume spikes that could temporarily slow operations if Southern California's vessel backlog is cleared.

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## They Said It

*"Some good news coming out of the Port of Oakland: They're making headway on that backlog of cargo"*

—KGO Radio

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## Port of Oakland Video

Here's a two-minute warning: it takes only 120 seconds to learn a lot about the Port of Oakland. The Port has unveiled a new time-lapse video tour today of its three businesses:

- The Oakland seaport;
- Oakland International Airport; and
- More than 20 miles of shoreline commercial real estate that includes the hip and historic Jack London Square entertainment district.

The video is available here on the Port of Oakland website. It's part of an online upgrade that provides timely, relevant information for Port stakeholders at [www.portofoakland.com](http://www.portofoakland.com)

The video was photographed from seaport cranes, airport towers and other San Francisco Bay Area vantage points. It condenses the broad scope of international trade and transportation into fast-moving video vignettes.

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*"Oakland crane operations have always been the best on the coast"*

—Journal of Commerce

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