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Challenges facing trans-Pacific shippers

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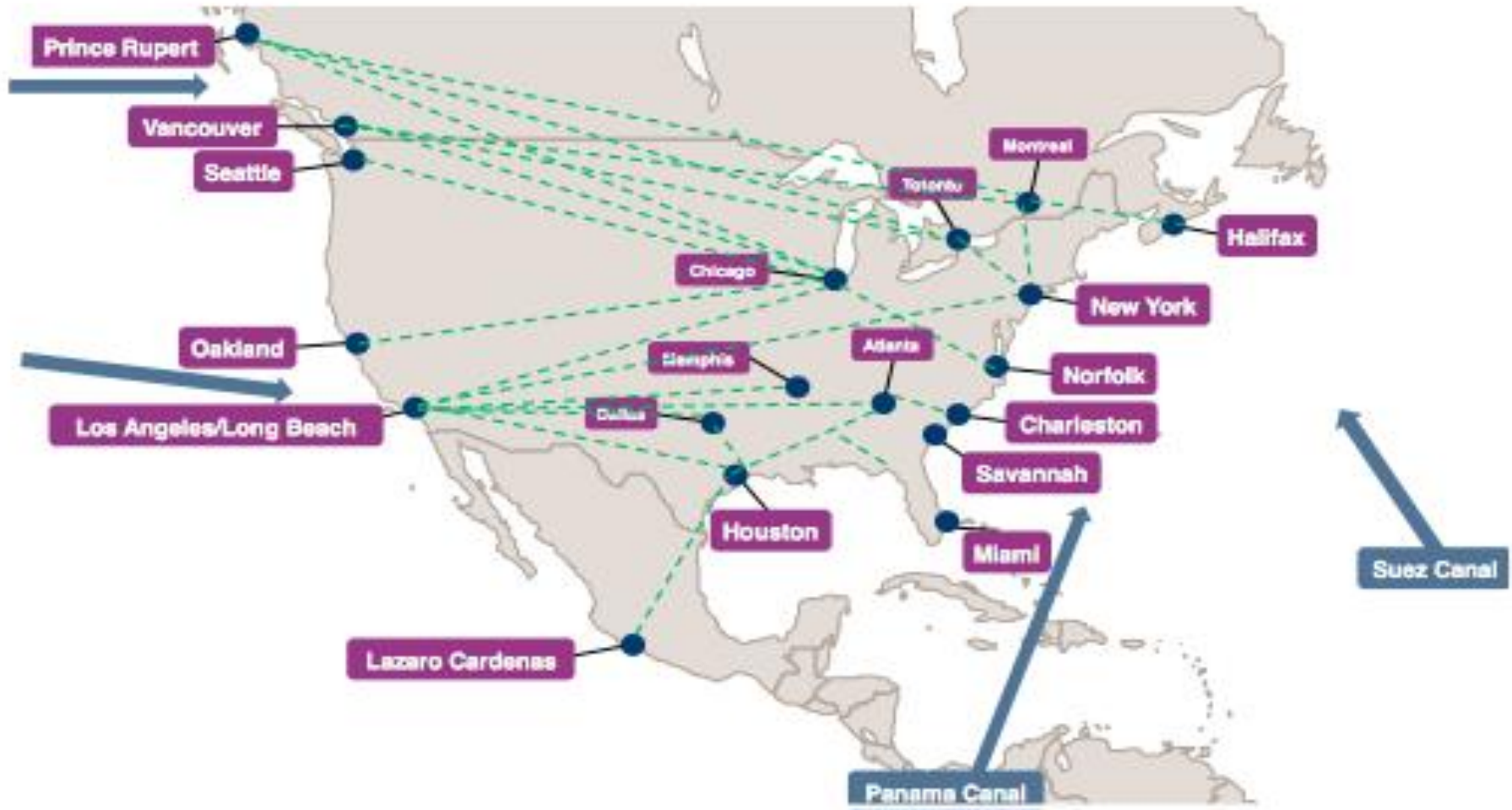
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West Coast debacle brings issue to forefront

- ILWU-PMA agreement finalized but labor threats still lurk. Details covering work rules and chassis inspections still must be ironed out.
- West Coast ports creating “grey chassis” pools, aggregating containers for easier peel off.
- Diversion surges congest the ports of New York-New Jersey and Virginia. Strong trans-Atlantic volume, fueled by stronger U.S. dollar and recovering economy, also contributes to backlogs.



Source: Drewry Maritime Research

Port Update

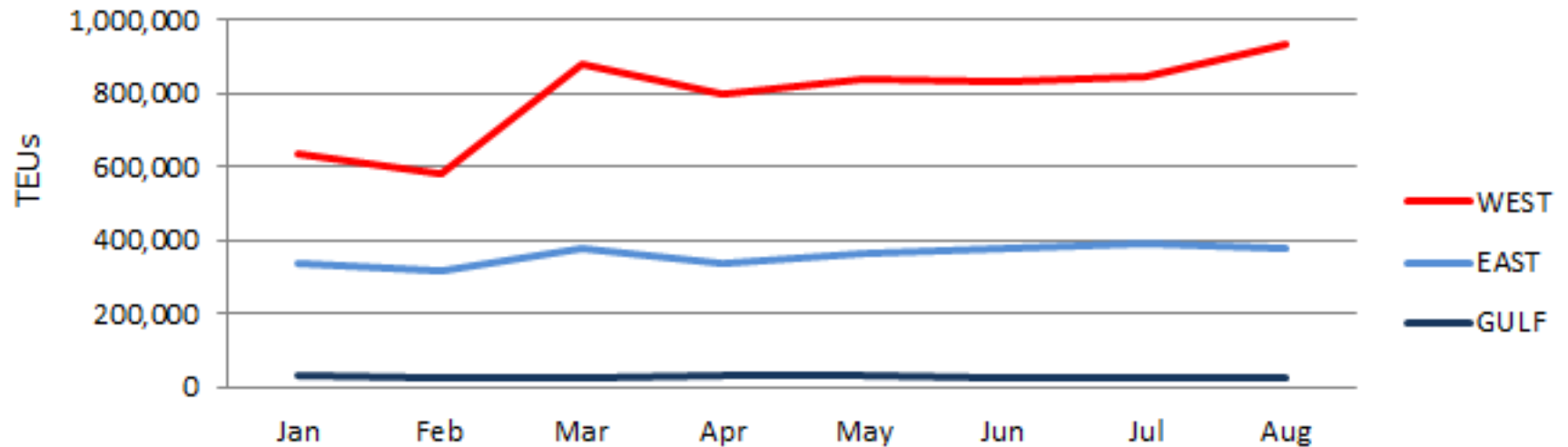
Why Congestion Threat Looms



- Many marine terminals can't handle the larger vessels. The intensified surges of cargo reduce fluidity from the docks to the truck gates. As a result, drayage drivers get frustrated with long turnaround times, putting the pool of available harbor trucking capacity at risk.
- Liner alliances (*G6, CKYHE, Ocean Three and 2M*) cause containers to be discharged in mixed lots that must be sorted at the receiving port. Many containers must be transferred to other terminals operated by individual alliance members before the box is moved out of the port.

US West Coast imports rebounding

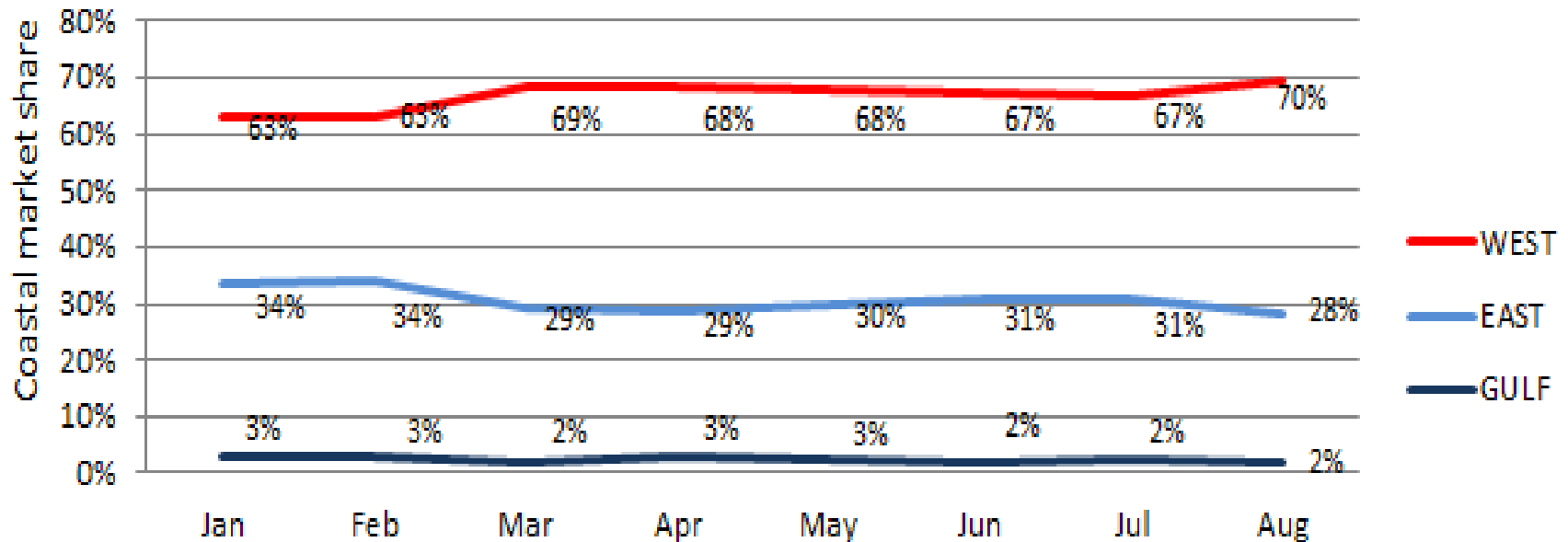
Inbound 20-foot equivalent units through West, Gulf and East coasts



Source:PIERS, a sister product of JOC.com within IHS

US West Coast regaining import share

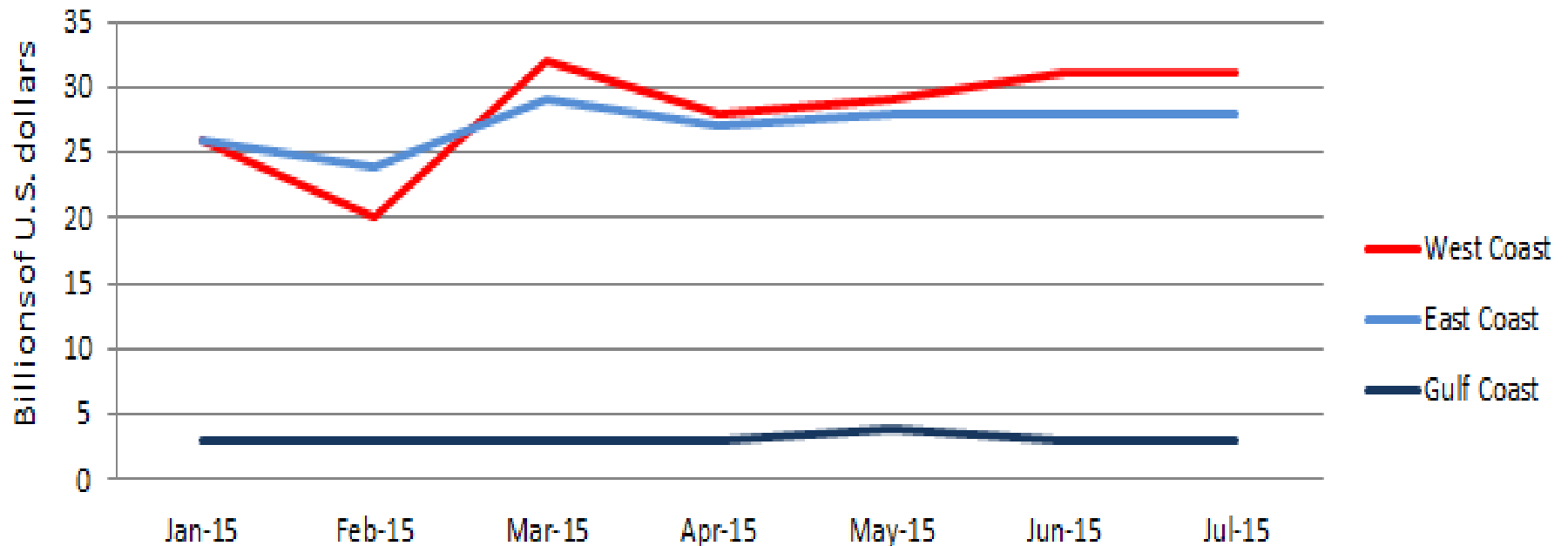
Coastal share of inbound 20-foot equivalent units



Source:PIERS, a sister product of JOC.com within IHS

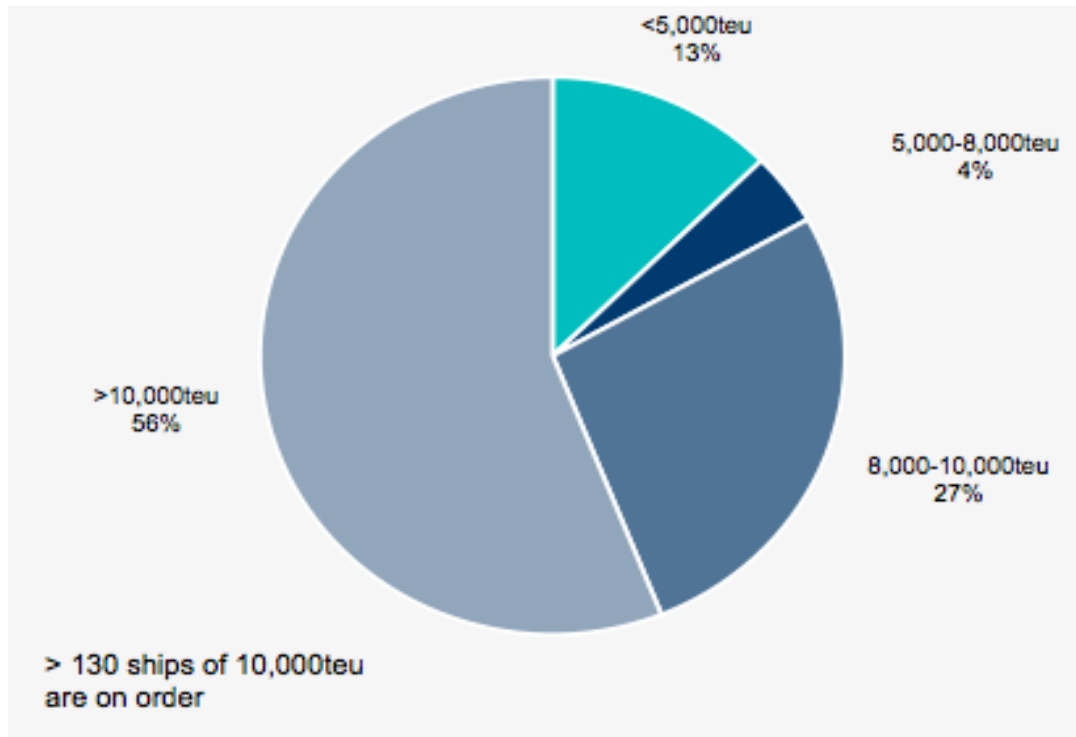
Containerized coastal import value

GTIS import census data in USD



Source: GTIS, a product of IHS

Here come more mega-ships



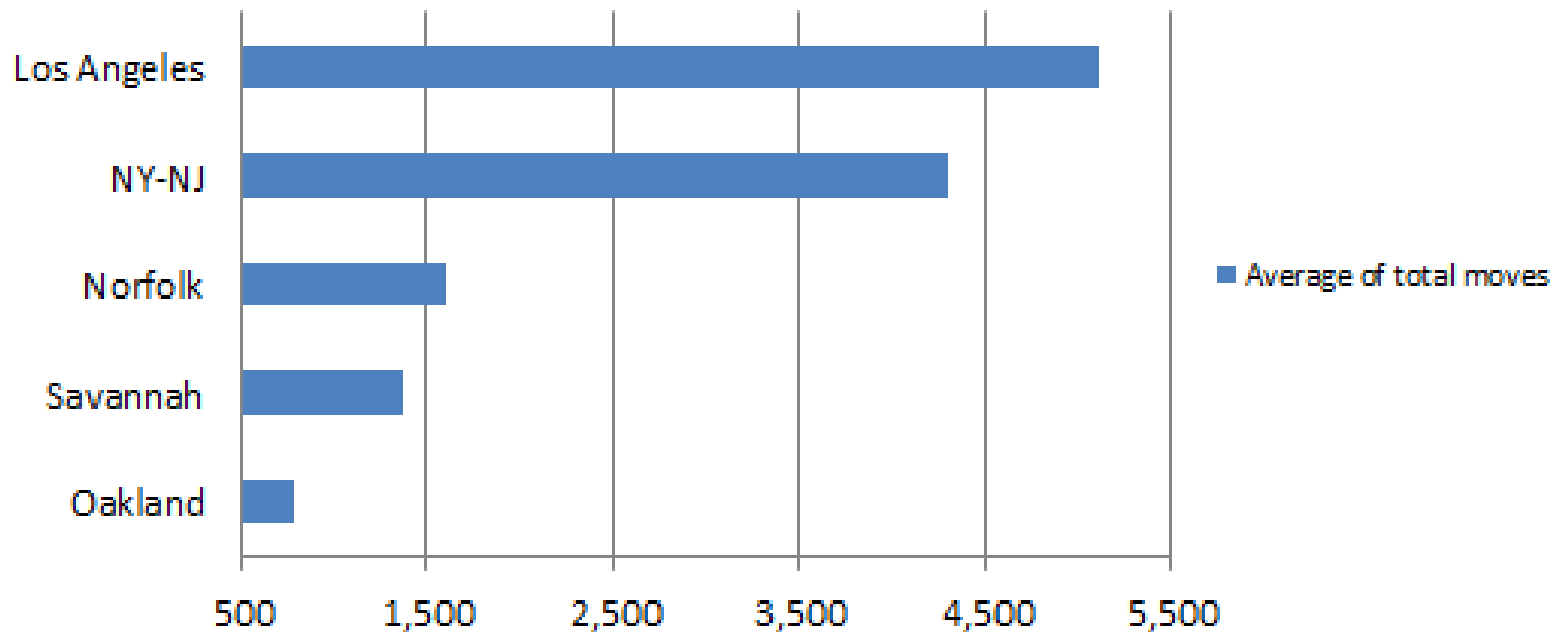
Current deployment by route

Route	No of 10,000teu+ ships
Asia-North Europe	189
Asia-WC North America	51
Asia-ECSA	3
Asia-EC North America	0

Source: Drewry Container Forecaster
(June 2015)

Mega-ships dealing worst congestion hand to LA-LB, NY-NJ

Port Productivity data of containers lifted on and off during each vessel call

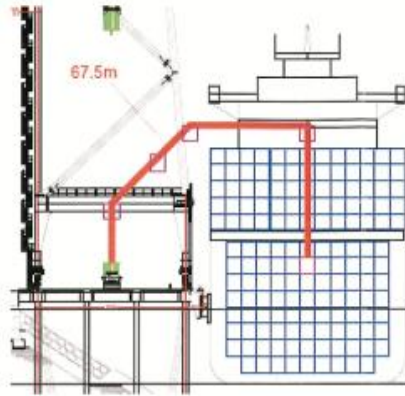


Source: PIERS, a product of IHS Maritime & Trade

Port Update: Crane Productivity Suffers

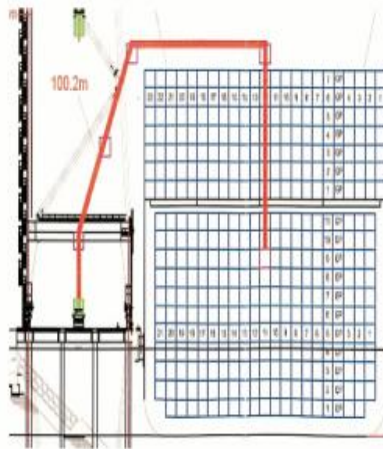
Panamax Vessel

- 5,000 TEUs
- 13 across
- 5 containers above deck



Triple E Vessel

- 18,000 TEUs
- 23 across
- 7 containers above deck
- Deck level is 7 meters higher than Panamax



- The 42 moves per hour theoretical crane rate maximum is reduced to 25-35 moves per hour under real life conditions.
- Traveling distances increase by an average 47% for mega-vessels.
- Mega-vessels take up quay capacity and challenge productivity.
- Collaboration/dialog with alliance carriers is required.

Port Update

Why Congestion Threat Looms



- Chassis shortages and dislocation persists. With most carriers out of the business, the new owners — equipment leasing companies and chassis pool operators — aren't putting the equipment where it needs to be.
- Bigger vessels increase berth productivity, according to JOC Port Productivity Data.
- Federal Maritime Commission looking into shipper complaints of alleged unreasonable demurrage and detention fees.

ILA-USMX Contract Outlook

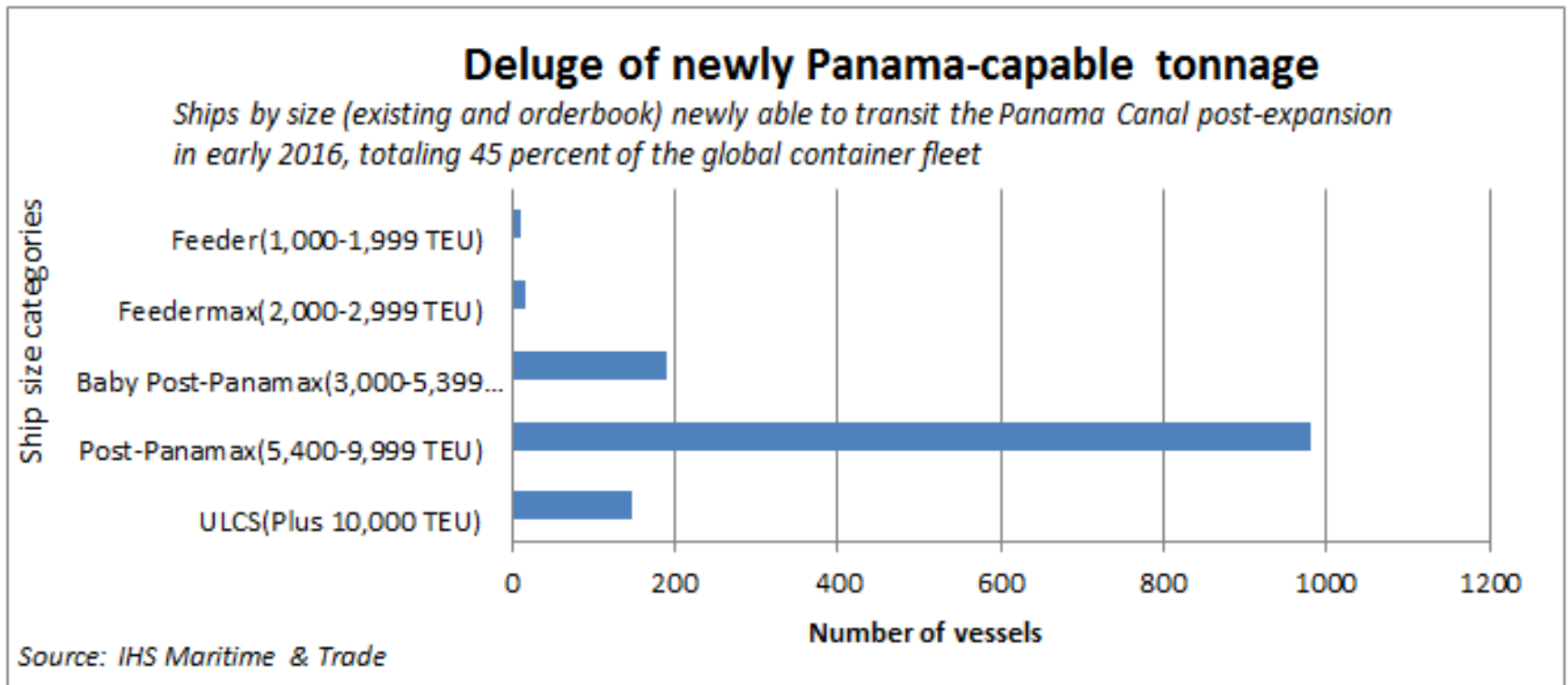
Good prospects for an extension to 2025, seven years past 2018 expiration

- The 2012-13 negotiations remain a bad memory. Neither the ILA nor United States Maritime Alliance is eager to re-live those [marathon negotiations](#), which continued on-and-off for nearly a year and left participants wrung out.
- The ILA-USMX relationship has improved. United States Maritime Alliance Chief Executive Dave Adam says management's goals in an extension will be ["tweaks," not a complete rewrite](#). International Longshoremen's Association President Harold Daggett says he's willing to discuss any deal that protects his members.
- The West Coast debacle is fresh on everyone's minds. East and Gulf coast ports have been [handling record volumes](#) since West Coast ports imploded during the bitter negotiations between the International Longshore and Warehouse Union and the Pacific Maritime Association. The ILA and USMX sense an opportunity to [solidify their market-share gains](#) if they can provide the stability of a 10-year contract.
- With ILA undergoing leadership transition, they want to negotiate extension now and give new officers time to go find their footing.

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- Nothing guaranteed, though. ILWU and PMA promised to keep cargo moving during negotiations. Remember how that went?

Vessel Update

Panama Canal expansion will unleash huge supply of tonnage for all-water services



THANK YOU!



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