

Port Congestion –Day to Day Challenges Background Paper

The Concern: Port Congestion has been a topic of concern for many years, not just in the ocean environment, but at rail and air as well. Carriers arrive the freight and are facing unprecedented waiting times to unload at the ports, as the terminal is already full and/or lacks personnel to off load cargo and distribute the balance to the consignee.

Contributing Factors: The contributing factors of port congestion lie with labor disruptions, larger capacity vessels, chassis shortages, container shortages, infrastructure shortfalls, consignee receiving limitations, terminal inefficiencies, trucking industry shortage, and limitation of data analytics of true cargo readiness.

Container Gridlock: The result is chronic gridlock at many of our ports. Ships are stranded offshore for possibly days to sometimes weeks at a time. Multiple trains are backed up in the Midwest and in all rail yards containers are buried deep in stacks with the inability to retrieve. Our airports as well are experiencing a backlog of freight. With all of these challenges, truckers sit in line for hours upon hours “hoping” for a chance to pick up the freight they have been dispatched to retrieve for retail sale or final manufacture.

Impact on Imports & Exports: The impact is not just with imports; it is with exports as well. A significant amount of U.S. exports is agriculture related. With these exports, some are perishable, and with delays resulting from cargo constraints or delayed bookings not only does this jeopardize the quality of the product but also U.S. global market share and competitiveness. Many export associations are revealing data demonstrating where their industry is losing global market share as they cannot complete orders.

Seaport Delays: Right now, one of the country’s largest, most essential seaports has 23 container ships waiting to off load, which is 11 more than their median number over the last 5 months. This port’s congestion rate is currently the highest in the U.S. at 82%, ahead of other high volume ports at 65% and 54%.

Trucking Shortage: There are also external factors impacting the ports. The truck driver shortage is significant. This workforce is aging as the average truck driver is 55 years old and many drivers opted for early retirement due to the pandemic. Some chose to pursue alternative careers as they anticipated limited opportunity to make the turns to deliver freight as they have had in the past, now hampered by the severe congestion issues.

Decreased Workforce: Another impact is the workforce. Since the onset of the pandemic, many have opted not to return to work, especially in warehousing. One major importer is down over 100 employees for one distribution center compared to pre-pandemic. The impact is profound - where 20 plus containers were unloaded a day, they now only are able to manage 4 containers.

Consumer Costs: These delays are costing companies and rolling to the final consumers in price increases in goods. The exponential increase in tariffs from China and on steel and aluminum globally only exacerbate the economic consequence.

Detention & Demurrage: The most significant financial hardship is the extreme penalty with detention and demurrage charges assessed by the carriers and the ports on containers and freight that the cargo owner does not have the ability to retrieve due to the port inability to provide container, limited trucking availability, or chassis restraints to move the container.