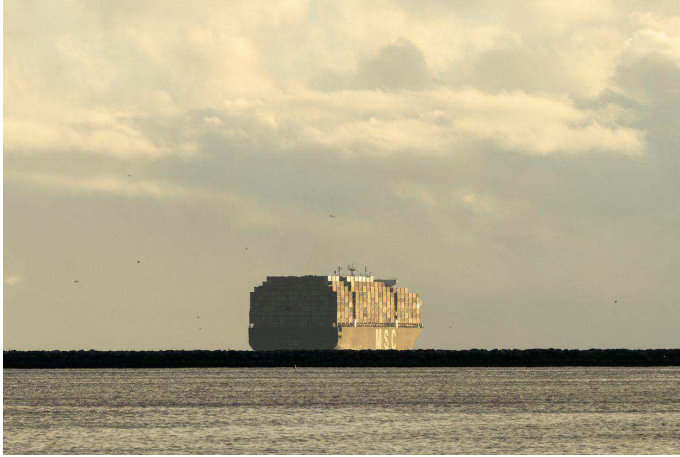


LOGISTICS REPORT

Shipping Companies Look at Sailing Away From Choked Southern California Gateways

Dozens of ships are waiting offshore, disrupting supply chains and sending carriers and their customers looking for alternatives



Container ship MSC EVA, operated by Mediterranean Shipping Co., moored near the Port of Long Beach last month.

PHOTO: BING GUAN/BLOOMBERG NEWS

By [Costas Paris](#)

Feb. 8, 2021 11:34 am ET

Some container lines and their importing customers are looking for alternate paths to get around bottlenecks at the main U.S. trade gateways in Southern California, where an armada of cargo vessels is anchored offshore at the congested seaports.

Shipping lines have started moving some operations to smaller ports and have canceled some sailings altogether to avoid the backups that have tied up dozens of ships and hundreds of thousands of containers stuffed with goods off the ports of Los Angeles and Long Beach.

France's CMA CGM SA, the world's fourth-largest container operator by capacity, said it was replacing a weekly six-ship service from China to Los Angeles with a separate sailing to Oakland, Calif., and Seattle.

"The new Golden Gate Bridge service does not include L.A. because of the congestion," a company spokesman said.

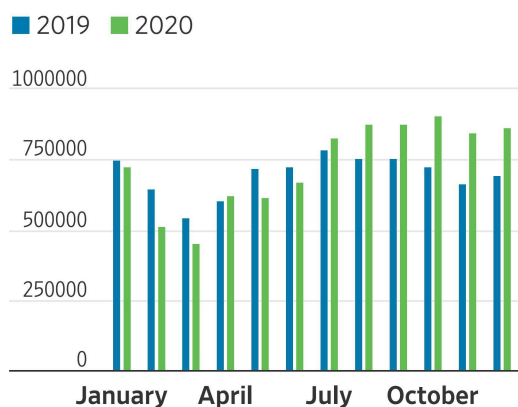
The backups have tied up inventories for weeks in some cases as ships wait to reach berths while cargo that has been offloaded sits for long periods at packed freight terminals, where operations have slowed as dockworkers have coped with an outbreak of coronavirus cases.

The supply-chain stresses are rising as a backup of ships waiting to get into the neighboring Southern California ports has grown beyond the number that were anchored during labor strife in 2014.

Stacking Up

Monthly inbound container volume, in 20-foot equivalent units, into the ports of Los Angeles and Long Beach over the past two years.

Inbound containers

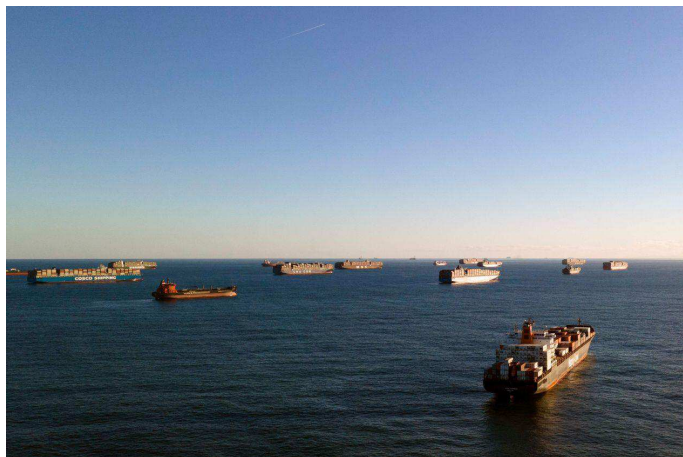


Source: Ports of Los Angeles and Long Beach

According to the Marine Exchange of Southern California, which monitors ship traffic at the state's ports, 37 container ships were anchored off the sprawling Los Angeles and Long Beach complex on Feb. 2, while 27 vessels were at berths, loading and unloading cargo. In the first week of February a year ago, the group counted one ship waiting offshore and 17 at the docks.

Paris-based shipping research group Alphaliner estimated the ships waiting offshore at the start of this month had capacity for 336,500 20-foot shipping containers.

"The waiting time to dock is up to seven days on average, depending on the ship type," said Mario Cordero, executive director at the Port of Long Beach, which handled a record 2.4 million containers in the fourth quarter of 2020, up 23% from the year-earlier period.



Ships anchored near the ports of Los Angeles and Long Beach.

PHOTO: JEFF GRITCHEN/ZUMA PRESS

The backups have grown as strong demand has persisted since the middle of last summer as retailers started to restock inventories depleted in the early days of the coronavirus pandemic. Shipping volumes that usually wind down close to the holidays and in the early part of the New Year have remained highly elevated.

Cargo handling has slowed as Covid-19 has depleted dockworker ranks. Port of Los Angeles officials said last month that nearly 700 dockworkers had tested positive for the disease, leaving cargo terminals with fewer handlers.

The backups have importers scrambling to speed up the flow of goods to stores, factories and customers.

Home-exercise equipment seller Peloton Interactive Inc. said in its quarterly earnings report released Thursday that the backups contributed to lengthy delivery delays that have frustrated the company's growing customer base.

Waiting Boxes

Monthly share of imported containers at the ports of Los Angeles and Long Beach waiting longer than five days for handling.

Percentage Waiting Longer



Source: Source: Pacific Merchant Shipping Association

Peloton said it would add \$100 million in transportation spending in the first half of this year to get around the bottlenecks. This expense will include air shipments, expedited ocean freight, and incremental costs to get containers "to other ports that are less congested," John Foley, Peloton's chief executive, said on an investor conference call.

Arnold Kamler, CEO of New Jersey-based Kent International Inc., which sells roughly three million bicycles a year to clients such as Walmart Inc. and Target Inc., said costs have soared because of tight shipping capacity while deliveries have been pushed back by weeks.

"Our supply chain has been crazier than crazy," he said. "Normally, when we schedule pickups, we get about 10% of the shipments delayed or canceled. For the past five months, this number has been 40%."

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Some carriers have canceled sailings rather than have their ships tied up for long stretches at a single port. German container line [Hapag-Lloyd](#) AG estimates it has cut between 20% and 30% of its sailings into Southern California in recent months.

A Hapag-Lloyd spokeswoman said the company has moved some cargo to smaller ports on the West Coast such as Oakland, but congestion is also

worsening at those sites.

“Vessels are delayed in every port, in North America, but also in Asia, which means that we can no longer maintain our schedules and vessels slide,” the spokeswoman said.

Moving import gateways can be difficult, and bring new headaches and higher costs.

“You can switch from one to the other, but you need to consider the end-to-end supply chain cost on top of the transit time,” said Bjorn Vang Jensen, vice president of global supply chain at Denmark based marine data company Sea-Intelligence ApS.

Industry observers don’t expect the backups to be cleared anytime soon, saying companies are still trying to step up the pace of inventory restocking while Chinese production and exports remain strong.

Citigroup Inc. analyst Christian Wetherbee wrote in a research report Monday that the congestion and delays at the Port of Los Angeles would likely last through the first half of the year. “Vessel calls are expected to moderate somewhat in February, but manufacturing capacity in Asia is not expected to shut down during Lunar New Year, so volume is unlikely to slow materially,” he wrote.

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