

# Loaded down

One in an occasional series

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**L**ONG BEACH, Calif. — Last October, the nation's freight network got a rude wake-up call when 50 ships lay anchored off the coast here, each forced to wait a week to drop off its holiday goods.

The logjam had nothing to do with a strike or work slowdown. Instead, an unanticipated surge in imports from China meant there weren't enough rail and dockworkers on hand.

Now, with the peak season looming, officials with the ports of Los Angeles and Long Beach — which handle two-thirds of the trade coming through the West Coast — are hoping to avoid another debacle.

This time around, terminal operators and railroads have hired thousands of new workers. Last month, imported containers began moving off the docks in four days or less instead of five. And hundreds of trucks started picking up cargo on nights and weekends for the first time.

These steps could help avert a traffic jam this fall. But major shippers worry that the efforts won't be enough in the long run to avoid a congestion crisis that could endanger the economy.

## THE CHINA CONNECTION

*China, Texas and the economy*

"We have to be more visionary and more long-term solution oriented," said David Walker, executive vice president of logistics and allocation for Fort Worth-based Pier 1 Imports, which this year will buy more than half a billion dollars worth of merchandise, primarily from the Far East.

Like other companies in North Texas and elsewhere, the home furnishings retailer has taken steps to protect itself, sending more cargo to less-congested ports.

Some businesses, such as Dallas-based Vought Aircraft Industries Inc., are finding other logistical ways to weather bottlenecks.

But as the tidal wave of clothes, furniture and other items from China mounts each year, a once-adequate infrastructure for moving freight from Southern California to the East now finds itself strained.

Without improvements, the outcome could be disastrous, some experts fear. If ports and railroads become as clogged as some of the busiest U.S. highways, an economy increasingly dependent on China trade may suffer.

"Transportation is now embedded in the very fabric of our economy as never before," Jeffrey Shane, undersecretary for policy at the

U.S. Department of Transportation, warned earlier this year. "Bottlenecks in the supply chain, if left unaddressed, will have far more serious economic consequences than ever before."

Albert Pierce, executive director of the Transpacific Stabilization Agreement, a group representing 13 container shipping lines, puts it more succinctly: "We have major problems."

At current productivity and growth levels, North American ports and the rail systems that serve them will be severely congested by 2020, said M. John Vickerman, a principal at TransSystems Corp., a transportation services firm. And by 2010, he predicts, 75 percent of 16 key U.S. ports will be struggling with severe capacity problems.

Avoiding gridlock won't be easy. Cargo bound for the U.S. from China has grown an average 34 percent annually since 2002. By 2020, the Los Angeles and Long Beach ports are expected to handle 35 million 20-foot containers, nearly triple last year's figure.

Adding to the pressure, West Coast ports are trying to cope with new megaships, giant vessels that can haul 8,000 or more 20-foot containers. These boats require bigger docks, taller cranes and

Here is another story in the China series that examines how the explosion in U.S. trade with the Asian superpower could lead to a future congestion crisis in the nation's aging transportation system. A sidebar on the rise of a new fleet of megaships is also included.

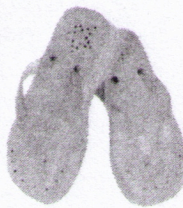
## WHAT WE'RE TRADING WITH CHINA

Last year, imports from China reached \$197 billion, higher than any other U.S. trading partner except Canada.

Meanwhile, U.S. exports to China totaled only \$35 billion last year, but they have been growing.

### TOP 10 IMPORTS FROM CHINA IN 2004

1. Furniture
2. Toys
3. Footwear
4. Plastic products
5. Computers
6. Tools, screws, latches, etc.
7. Sporting goods
8. Cooking, ironing, heat appliances
9. Kitchenware
10. Electrical and electronic products



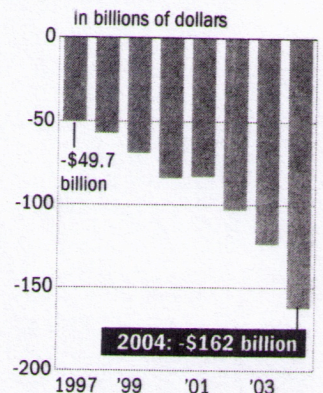
### TOP 10 EXPORTS TO CHINA IN 2004

1. Paper and paper waste
2. Mixed metal scrap
3. Fabrics and raw cotton
4. Newspapers
5. Foam waste and scrap
6. Logs and lumber
7. Wood pulp
8. Plastics
9. Frozen fish
10. Other synthetic resins



## OPENING THE FLOODGATES

U.S. trade deficit with China:



SOURCE: U.S. Department of Commerce

BETSY BOCK/Staff Artist

SOURCE: PIERS Maritime Research



longer berths, not to mention extra days to unload cargo.

Ports with limited room for expansion aren't the only worry. Complicating matters is a national shortage of 20,000 truck drivers that could soar more than five-fold by 2014. Trucks will be hauling 13 billion tons annually by 2016, up from last year's 9.8 billion tons, predicts the American Trucking Associations.

## Other options

At Vought, last fall's traffic jam delayed parts that the firm had ordered from Japan and South Korea by two to three weeks. To get customers' orders filled on time, some Vought employees had to work overtime and on weekends, a cost borne by the firm.

This year, the supplier of wings, fuselage subassemblies and other airframe structures is using a large freight forwarder to deliver the parts. It's betting that using one big firm instead of several forwarders will mean faster service if gridlock develops again.

"If we get the notifications [of any interruptions] early enough... we should be OK," said Jim Diemicke, Vought's freight manager of material factory support.

Other companies, like Pier 1, are shifting more of their shipments away from Southern California to less-congested ports on the Gulf and East Coasts, via the Panama Canal.

Pier 1 is also making greater use of Washington's Port of Tacoma, where its decorative pillows, rugs and other products leave by rail for distribution centers in Chicago and Columbus, Ohio.

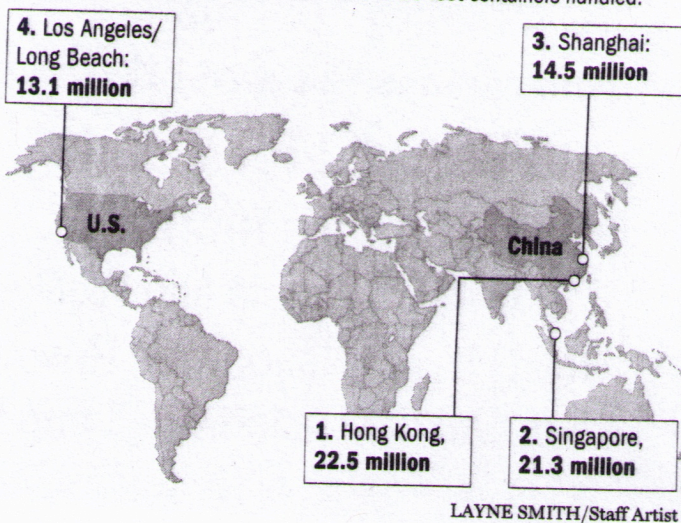
But this kind of solution doesn't work for everyone. Many companies, such as Mary Kay Inc., have discovered that Los Angeles and Long Beach remain the most cost-efficient way to bring Asian imports into the country.

The Addison-based direct seller of cosmetics looked at alternatives to the Southern California ports earlier this year. Last fall's traffic tie-up forced it to ship some bottles, lipstick base and other materials to its Dallas manufacturing plant by air freight, a costly alternative.

Mary Kay is now sending a few containers through the Panama Canal to the Port of Houston, where they are placed on trucks headed to Dallas. But already, it estimates, this route will cost 18

## THE WORLD'S BUSIEST PORTS

The Ports of Los Angeles and Long Beach lost their third-place ranking last year to the Port of Shanghai based on millions of 20-foot containers handled.



percent more and take two weeks longer than going through Los Angeles and Long Beach.

At the Southern California ports, "there's going to be more pressure with larger volumes," said Ted Tobolowsky, Mary Kay's director of transportation, logistics and customs compliance. "They have to be more efficient, and they have to use technology more."

To keep ahead of the seemingly endless flow of containers, terminal operators at the Long Beach and Los Angeles ports are making lots of changes.

Pier 400, which was built on 500 sprawling acres of asphalt and rock at the Port of Los Angeles, is undergoing a technological transformation.

Thanks to bar-coded routing passes and optical character recognition cameras, truck drivers roll through the terminal's entrance at 45 mph instead of inching along in long lines. They pour through the exit gates without having to talk to a single clerk. The streamlined process has reduced drivers' turn time by 12 minutes.

Out on the docks, global positioning systems and radio frequency identification tags will soon instantly pinpoint the location of every container.

## More productive

Boosting productivity has become an urgent mission throughout the Southern California port network because so little room exists for expansion. And any project can take years to complete due to the environmental permitting process.

At 270 berths, Los Angeles can add only 20 percent more land, and Long Beach could expand by 30 to 40 percent at best, said Art Wong, a spokesman for the Long Beach port.

"We are going to reach the limit of how much land we're going to have here in the next 10 to 15 years," he said.

The ports and terminal operators aren't the only ones scrambling to become more efficient. The Burlington Northern Santa Fe and Union Pacific railroads are working furiously to move increasing amounts of cargo more rapidly over their networks.

Asian imports are breathing new life into these giant railroads, once seen as holdovers from a bygone transportation era. At the Port of Long Beach, half of all cargo winds up on trains headed east.

To handle the influx of containers, the railroads have added hundreds of locomotives and rail cars, increased the lengths of their trains and run more nonstop service between Los Angeles and the Midwest and Southwest.

For example, some of BNSF's Los Angeles-to-Chicago trains are no longer stopping at Clovis, N.M., to sort cargo, saving 24 to 48 hours of transit time.

The Fort Worth-based railroad has also cut in half, to 24 hours, the amount of time containers can sit in its yards. And it's adding 3,600 container-stacking slots, 400 parking spaces and eight cranes to its Hobart intermodal container transfer facility in Los Angeles.



"We're creating more capacity by becoming more efficient," said Frederick Malesa, BNSF's vice president of international intermodal.

But the railroad is also looking to the future. It's already planning to open a new intermodal yard near the Port of Los Angeles in 2009.

## Railroad's revamp

Meanwhile, Union Pacific, the nation's largest freight railroad, is borrowing lean management techniques from Toyota Motor Corp. to weed out inefficiencies.

Since April, it's been redesigning its network to enhance productivity and speed. Containers that used to sit in its yards for up to 72 hours must now be moved within 48. Union Pacific also continues to build a second track along its popular 760-mile Sunset Route between Los Angeles and El Paso.

"You rarely go through a peak shipping season without something happening. But so far, so good," said Paul Borseth, Union Pacific's assistant vice president of international intermodal.

Like BNSF, the railroad plans to beef up its operations in Southern California. It aims to double the size of its intermodal rail facility near the Long Beach and Los Angeles ports. It's currently expanding the site's support yard so it can hold more rail cars.

But trade with China is growing so fast that even these measures may not ward off further congestion. That's why a group of 50 shippers, the Waterfront Coalition, have banded together to call for a national freight transportation policy.

The coalition is a member of a Maritime Administration advisory committee, which plans to issue recommendations by year-end to the U.S. secretary of transportation, said Robin Lanier, the coalition's executive director.

Other discussions are also taking place. Earlier this year, executives from Pier 1 and a few other companies met with Transportation Department officials to talk about the situation at the ports.

"The globalization of world markets is going to continue," said Pier 1's Mr. Walker. "The other areas of the world are truly focused on 10, 15, 20 years out. We don't seem to have that same focus. That's a major obstacle that we have to overcome."



JIM WILSON/The New York Times

**The ports have allowed trucks to pick up cargo on weekends to cut down on bottlenecks.**