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Baltimore port closure could speed up West Coast cargo shift

BY TANYA SNYDER | 03/29/2024 11:59 AM EDT



The Baltimore Port closure could help them make that case — along with the impending Sept. 30 expiration of a labor contract between 36 East Coast and Gulf Coast ports and 70,000 dockworkers. | Ulysses Muñoz/The Baltimore Banner via AP

With the Port of Baltimore closed for weeks at minimum, shippers and port authorities are starting to adjust to the new normal – and that could accelerate a shift in trade to ports on the West Coast that’s already been happening for some time.

In the short term, congestion could increase at ports all across the country, but analysts are paying extra attention to the West Coast, which has already been absorbing traffic that normally would be bound for the Eastern Seaboard amid continuing Houthi attacks in the Red Sea and low water levels in the Panama Canal.

“If I was a shipper, I would be very worried about, ‘can I send to the West Coast, which is way safer at this point than the East Coast? Maybe I’d have more control over what’s happening?’” said Simona Stan, a professor of marketing at the University of Montana business school who specializes in supply chains and logistics, particularly surrounding disasters. “I can see many companies thinking like that.”

Even before the disaster, import volumes had started shifting to the West Coast, according to [data published by consulting firm Oliver Wyman](#) the day before the bridge collapse. [Fitch Ratings predicted Wednesday](#) that “the bridge collapse could add momentum” to that shift.

That could exacerbate congestion at ports on the West Coast. Los Angeles and Long Beach, the two busiest ports in the country, are already notoriously congested, with [ships often waiting two to four days](#) to load or unload cargo. But that extra traffic could be a boon for trucking companies and railroads that operate in that area, Stan said.

Tensions with China have depressed imports from China by about 3 percent a year for the last five years, though imports to the East Coast from other Asian countries — that are closer to the East Coast — have been growing by 8 percent a year, according to the Oliver Wyman study.

But imports from India are a “jump ball” in terms of which coast they go to, said John Janson, vice president of global logistics at the apparel company SanMar. “They can go east or west,” he said. “For cost and service, there’s some lanes that we can move to the west, and we will do that.”

The Oliver Wyman study found that “in 2023, about 70 percent of imports from India passed through U.S. East Coast ports.”

“But who can project right now, with all the things that are going on?” Janson added.

In the short term, traffic headed for Baltimore is being rerouted to other East Coast ports, which are trying to strike a balance between publicly expressing support for Baltimore and eagerly vying to take their business.

“The Port Authority of New York and New Jersey can take on additional cargo,” said New York Gov. Kathy Hochul and New Jersey Gov. Phil Murphy in a rare joint statement on Thursday. “Along with our federal partners, we will continue to work together to support our neighbors in Baltimore and consumers nationwide.”

Competition among ports is fierce, and traffic can be severely disrupted by things like labor issues and sometimes unpredictable global supply chain paroxysms. Shippers pulled freight away from the West Coast last year in response to labor disputes there that

threatened work stoppages, and West Coast ports, like the behemoth Ports of Los Angeles and Long Beach, have been working to get that business back.

The Baltimore Port closure could help them make that case — along with the impending Sept. 30 expiration of a labor contract between 36 East Coast and Gulf Coast ports and 70,000 dockworkers.

“This is an opportunity for the other ports to step up to the plate and take more capacity and show the great work that they're doing,” said Chris Burroughs, vice president of government affairs at the Transportation Intermediaries Association.

Even before the bridge collapse, [intermodal logistics officials were fielding more requests from clients looking for more capacity at West Coast ports](#).

Dan Murray, senior vice president for the American Transportation Research Institute, said shippers are facing “a suite of decision factors” in deciding where to import or export, “and the Key Bridge collapse is one consideration.” But so are “missile attacks on the Red Sea” and labor issues on both coasts and, perhaps more than anything, the costs of ground transportation to get the freight where it’s ultimately going when every mile in a truck costs \$2.80.

“The complexity of the shipper decision-making makes the Key Bridge collapse one of a dozen considerations,” Murray said.

He said he’ll be looking at data over the coming weeks and months to see how long term the shifts are as traffic moves from Baltimore to other ports. “That’s obviously one of the big fears of everyone, is if they shift to other ports, will they come back when the port is open? It’s an unknown.”

Ry Rivard contributed to this report.

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