Ag, forestry exporters brace for higher costs after Portland liner services exit

Bill Mongelluzzo, Senior Editor | Apr 17, 2015 10:48AM EDT

The almost complete cessation of liner services at the Port of Portland will add significantly to inland transportation costs incurred by exporters of agricultural and forest products in Oregon and Idaho, the executive director of the Agriculture Transportation Coalition said Thursday.

“It absolutely will affect the competitive position of these exporters,” Peter Friedmann said in an interview.

Friedmann’s comments on the decisions last month by Hanjin Shipping Co. and Hapag-Lloyd to discontinue their services in Portland because of poor labor productivity took on an even more somber tone when Northwest Container Services, which offers a rail alternative for exporters in the region, announced that it is suspending the receiving of additional export loads until Monday because it has more cargo than it can handle.

Portland is Oregon's only deep-water container port. Its strategic location on the Columbia River positions the port to handle large volumes of agricultural and forest products that are barged down the river from Oregon and Idaho. The alternative gateway for exporters in the region are the ports of Seattle and Tacoma.

The International Longshore and Warehouse Union has been engaged in a feud with the operator of Portland's container terminal, ICTSI, since June 2012. The spat started over a jurisdictional dispute and escalated into a continuous series of work slowdowns and stoppages. According to the port authority and ICTSI, crane productivity dropped from the historical level of 26 to 28 container moves per hour to less than 20 in June 2012, sometimes dipping into the low teens, and has stayed at that level since then. The port and ICTSI said ILWU Local 8 also engaged in numerous work stoppages over the past three years.

Hanjin on several occasions warned the port, ICTSI and the ILWU that unless productivity improved, it would cease operations in Portland. Hanjin, which accounted for almost 80 percent of the port's container volume, pulled out last month. Hapag-Lloyd, which accounted for about 19 percent of the port's container volume, made its last vessel call last month. Now Portland's only liner service is operated once a month by Westwood Shipping.

The impact on cargo interests and ports in the Pacific Northwest was immediate. Kurt Beckett, deputy CEO at the Port of Seattle, said in an interview this week that Hanjin, which had already included Seattle on its port rotation, shifted its Portland cargo to T-46 in Seattle. Maersk Line had also recently shifted its service to T-46 from another terminal, so T-46 is quite busy now.

John Wolfe, Port of Tacoma CEO, said Tacoma was on the same Hapag-Lloyd service as Portland, so now Hapag-Lloyd is moving all of its Portland cargo through Tacoma, generating a noticeable increase in volume.

Although exporters in Oregon and Idaho who had been shipping through Portland have an outlet for their products in Seattle and Tacoma, getting cargo to the Puget Sound ports will be more expensive. Bill Wyatt, executive director of the Port of Portland, said trucking rates for those exporters can range from $600 to $1,200 a load, depending on the origin of the cargo.

Rail transport offered by Northwest Container Services, which has its own equipment and uses the Union Pacific Railroad to provide the power, is less costly than trucking. However, according to the advisory, the company simply does not have enough capacity to accommodate the unexpected surge in cargo that is being diverted from Portland.

Friedmann said exporters in the region are being hit from all angles. In addition to the costlier haul to Seattle and Tacoma, federal trucking hours of service limitations are restricting truck capacity. Traffic congestion on I-5 and I-90 further limits effective truck capacity. Now the capacity crunch being experienced by Northwest Container Services is restricting rail service in the region.

Many agricultural and forest product exports are of low value, which means the margin of profit is significantly affected by unexpected cost increases, such as a spike in inland transportation costs. The strong U.S. dollar isn't helping them either. Put all of these factors together, and it is having a "devastating impact" on those exporters, Friedmann said.

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