NEW MERCATOR STUDY:

Beyond competition for intact intermodal cargo from Western Canadian ports, terminals on East and Gulf Coasts also pose threat to U.S. West Coast

SAN FRANCISCO (September 22, 2020)—Following its recently-released study outlining the competition that U.S. West Coast ports face from the ports of Prince Rupert and Vancouver for intact intermodal containerized cargo, a new analysis by Mercator for the Pacific Maritime Association sheds further light on competition for this cargo from ports along the East and Gulf Coasts.

In 2019, the West Coast's three main port gateways – San Pedro Bay, San Francisco Bay, and the Puget Sound – handled 10.81 million TEUs of loaded international imports. About 26% of this cargo, or 2.85 million TEUs, was intact intermodal cargo that traveled directly by rail to regions throughout the U.S.

The cargo most at-risk of diversion to East and Gulf Coast ports is destined for two areas of the country: the greater Chicago area and the South-Central zone comprising Texas, Oklahoma, and Kansas. These areas represent about half of the intact intermodal containerized cargo currently arriving at West Coast ports from Asia. These markets are becoming fiercely competitive due to direct rail and highway access from many East and Gulf Coast ports.

Mercator's analysis found that U.S. East Coast ports hold route cost advantages of up to $1,000 per container for intact intermodal cargo over the two main West Coast gateways – the ports of Los Angeles and Long Beach in Southern California, and ports of Seattle and Tacoma in the Pacific Northwest.

Major Gulf Coast gateway ports have similar advantages over the West Coast but most currently lack the necessary infrastructure to fully capitalize on them, the study found. Those infrastructure gaps may narrow considerably as major terminal expansions and developments are completed.

The cost advantages are largely due to higher terminal-to-rail and land transport costs for the San Pedro Bay and Puget Sound ports, according to the research. Laws and other initiatives sponsored by state and local officials in California and Washington that hike costs or fail to address competitive disadvantages of U.S. West Coast ports will further compound losses, Mercator found.

"The U.S. West Coast ports have long been key to the North American economy and its ability to compete on the global stage. But those crucial gateways face a growing threat from U.S. ports in the Gulf and East Coasts, and beyond," said PMA CEO Jim McKenna. "The intact intermodal cargo that travels through these Pacific Coast ports is critical to the health of the local and state businesses and the governments that depend on their tax revenue. Mercator's analysis is another reminder of the crucial stakes of ensuring we can compete for valuable discretionary cargo."

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