

# Could marine highway ships and Port of Oakland relieve LA/LB port congestion?

by [Stas Margaronis](#) May 24, 2022

Paul Snell, chief executive officer, British American Shipping, Long Beach, California, suggested that a coastal feeder ship service linking the Ports of Los Angeles, Long Beach and Oakland could relieve Southern California port congestion.

Snell was speaking to the Propeller Club of Northern California Maritime Day forum on May 16th, 2022, where he discussed "Challenges to U.S. Exporters."

Snell said there is a serious problem with the lack of infrastructure at U.S. ports.

He referenced the lack of on-dock rail which has slowed the velocity of imported containers coming into the United States as well as slowing the flow of exported containers.

Snell also suggested that a coastal vessel feeder service linking the Ports of Los Angeles and Long Beach with Oakland could relieve congestion at the Southern California ports.

He speculated that the coastal service could also provide a lower freight rate than the \$3,000 trucking cost borne by importers and exporters currently having to access the two Southern California ports for imports and exports. The coastal service could also reduce the delay in retrieving chassis from Southern California which has slowed the movement of harbor truckloads to Port of Oakland customers, he said.

The expansion of coastal and inland shipping utilizing Jones Act vessels built in the United States and manned by U.S. crews has long been advocated by the U.S. Maritime Administration (MARAD) as the Marine Highway system. MARAD has designated and funded waterborne Marine Highway transport to reduce highway and port congestion.

On California's Interstate 5 there are between 6,000 to 7,000 five axle trucks per day carrying imports and exports and other goods between Northern and Southern California, according to California Department of Transportation.

At a second Propeller Club Maritime Day presentation on May 18<sup>th</sup> partly devoted to Jones Act carriers, a Danish maritime financial consultant estimated that a small U.S. built, and crewed container ship could transport one forty-foot container between the Ports of Los Angeles and Long Beach and the Northern California Port of Oakland for \$1,625.

The true cost needs to factor the \$525 truck transport charge from the Port of Oakland to San Joaquin Valley warehouses making the total cost \$2,150 which is still significantly less than the \$3,000 trucking cost between Northern and Southern California currently reported by California truckers.



The financial projection provided by C. Clausen & Company's Bo Braestrup to the Propeller Club found:

"Our first estimate, for 2 x 1000 TEU built at a cost of \$65 million per ship with 80% capacity utilization, (which is) 22,464 FEU's each way per year per vessel, is that the transportation cost is projected at about \$1625 per box (same rate northbound and southbound)."

The calculation is based on U.S. crew costs, fuel costs as of May 2022 and container lift charges at the Southern California ports and at the Port of Oakland.

A Mercator International consultant, hired by the Oakland Athletics to review whether the proposed Howard Terminal ballpark and condominium complex would adversely impact the Port of Oakland's container-handling potential, told AJOT that Howard Terminal could handle vessels of up to 5,000 TEUs. Thus, Howard Terminal could easily handle the 1,000 TEU coastal ships sailing between the Southern California ports and Oakland, identified by Braestrup.

### Dutch Perspective

A retired container terminal executive who specializes in short sea shipping and has visited the Port of Long Beach and U.S. container terminals told AJOT that a coastal shipping service can reduce congestion and increase velocity at U.S. container terminals.

The reason is that when container loads arrive off of ocean carriers and are reloaded back on to coastal and inland waterway vessels, the effect is to reduce space on the terminal. That is the space needed for containers and chassis that would otherwise be needed to move the container loads off the terminal by either truck or rail. This is standard procedure at container terminals at the Port of Rotterdam, he said.

He believes U.S. container terminals need to evolve into moving more containers by water so as to reduce landside congestion.

### Traditional U.S. Port & Terminal Perspectives Are Challenged

A retired Southern California port executive has publicly opposed coastal shipping for years arguing roads and freeways are sufficient to transport containers loads by truck within California.

- Trucks can deliver a containerload from Southern California to Northern California in 8 hours.
- There is a plentiful supply of truck drivers.
- Fuel is cheap.

New developments now change this perspective:

- In March, the Pacific Merchant Shipping Association (PMSA) reported that at the Ports of Los Angeles and Long Beach: "containers leaving on trucks remained on

terminals for an average of 6.26 days, up from 5.84 days the month before... Pre-pandemic, dwell time rarely exceeded three days.”

- In 2022, California truckers report that higher fuel prices have caused the cost of transporting a truckload between Southern and Northern California to rise from \$1,500 to \$3,000.
- There is a shortage of truck drivers.
- At 16 knots, the sailing time between Los Angeles/Long Beach and Oakland would be about 24 hours, according to Braestrup.

## Leachman Report

A 2017 report entitled “Strategic Initiatives for Inland Movement of Containerized Imports at San Pedro Bay” authored by Robert C. Lachman, Institute of Transportation Studies, University of California at Berkeley found that 4.8% of imports entering the Ports of Los Angeles and Long Beach were trucked up to Northern California.

These imported goods, destined for Northern California customers, are processed at distribution centers in the Northern San Joaquin Valley located along California’s I-5 freeway.

In 2021, combined imports reported by the Ports of Los Angeles and Long Beach totaled 10,095,132 TEUs, which calculated at 4.8% totals 484,566 TEUs and in turn equals 242,283 FEUs (forty-foot unit containers) destined for Northern California.

A Southern California port executive has suggested that the 4.8% import figure identified by Leachman could have doubled to 10% since Leachman’s data was based on 2015 traffic patterns that have since changed.

## U.S. Carrier Responses

The Propeller Club Maritime Day panel on May 18<sup>th</sup> heard reports from Jones Act carriers who discussed developments in Marine Highway services:

- Torey Presti, president, National Shipping, San Francisco, California said he is seeing an expansion of Marine Highway services “but the \$42 million for Marine Highway grants is a drop in the bucket ... Most of the successes have been in the brown water (inland shipping) and not in the blue water and that needs to change.” National Shipping operates a vessel service between Houston and Puerto Rico. It has expanded this service to include a Marine Highway service, known as the M-10, to transport containers between the Port of Houston and Port Everglades, Florida.

- Edward F. Washburn, senior vice president, Fleet Operations, Pasha Hawaii, San Rafael, California said that a market for a Marine Highway service between Oakland and Los Angeles/Long Beach needs support from shippers. That shipper interest has yet to manifest itself, he said.

The Marine Highway concept has long been championed by the U.S. Maritime Administration so as to deploy U.S built ships and tug/barge combos to move containerloads by water rather than by road and relieve congestion and emissions at U.S. ports and on U.S. highways.

Braestrup estimates that U.S. built Marine Highway container ships can be cost-effectively deployed to carry container imports by water rather than by road between the two Southern California ports and the Port of Oakland. The same holds true for Northern California exports bound for ships departing from Southern California.

It is possible that a California Marine Highway service, in partnership with the Port of Oakland, could thereby relieve port congestion by shifting as much 4.8% (and possibly twice as much) of imports arriving at the Los Angeles/Long Beach ports and instead transport the import containers by water to the Port of Oakland. Right now, these container loads arrive at Los Angeles and Long Beach and are then trucked to Southern California warehouses, often reloaded into 53-foot trailers and trucked to Northern California destinations creating additional truck trips, freeway congestion and emissions.



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