

The Container Crisis: Empties Stranded in the US!

Hauling air in a heavy box is not very practical and is certainly not a profitable business model. However, more and more companies in the transportation industry are doing just that! The resources expended to reposition the growing numbers of empty containers is becoming an issue of great concern in the cargo transportation industry.

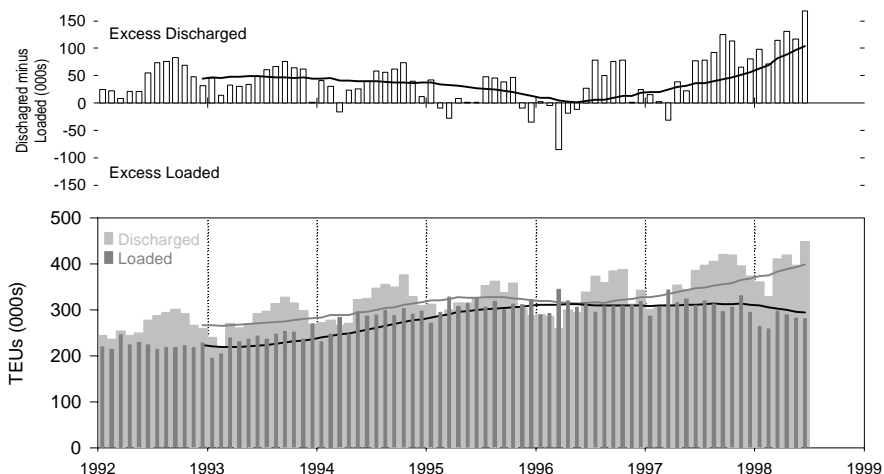
The number of empty containers stranded in the U.S. has increased five-fold in the past twelve months. The reason for the increase is not a secret: it is the result of economic pressures that have reduced the buying power of many Asian currencies thereby inhibiting their ability to buy American exports and making Asian products cheaper to American consumers. The reduced number of export containers and increased number of import containers corresponds with the wide gap between the number of containers discharged and the number of containers loaded. The dimensions of the imbalance between discharged and loaded containers and its economic impact on the transportation industry is not readily apparent to the American consumer.

PMA Container Data

The chart at the top of this page shows, by month from January 1992 through June 1998, the total of all discharged and all loaded containers on the West Coast. The upper graph shows the monthly difference between discharged and loaded. The difference between discharged and loaded has, for the last four months, been over 100,000 and in June the number exceeded 150,000 twenty-foot equivalent unit containers (TEUs).

It is interesting to note that during 1995 and early 1996, discharged and loaded containers were nearly in balance, and for several months loaded container TEUs actually exceeded discharged TEUs. This period corresponded closely to a period when the Japanese yen and other Asian currencies were very strong against the dollar. By the end of calendar year 1996, the Asian currencies had begun to slip, and the number of discharged containers again exceeded the number loaded. As Asian currencies continued to drop against the dollar in recent months, containers discharged in U.S. West coast ports have surged.

TEUs by Month: Discharged vs. Loaded



The charts on the next page show the number of container TEUs discharged and the number of container TEUs loaded at the major West Coast container ports. In the upper portion of each chart is a graph showing the monthly difference between discharged and loaded containers.

The charts illustrate the extent of the differences between the ports in the mix of discharged and loaded containers. Los Angeles and Long Beach both handle far more inbound containers than outbound whereas Oakland moves far more outbound containers than inbound. Seattle and Tacoma generally have a close balance between discharged and loaded containers. The one common characteristic of four out of the

five ports in the last 12 months is that the percent of discharged containers is increasing. Tacoma, the exception, has actually experienced a decline in discharged containers.

PIERS Container Data

The Atlantic and Gulf ports are also experiencing a reduction in the percentage of export containers even as the total number of container TEUs increases. The Atlantic and Gulf ports are not significantly affected by Asian container movements, but these changes are the result of trade imbalances with South American and European trading partners.

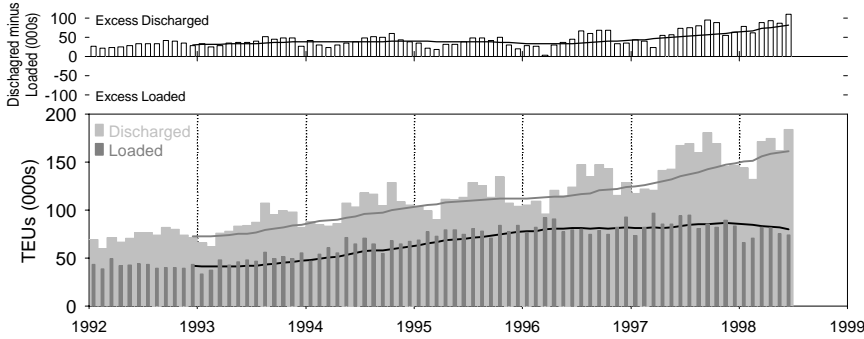
The table below compares the two coastal areas for the first six months of 1997

PIERS Container Data					
January to June:	1997		1998		Pct Chg '97 to '98
	TEUs	Pct of Total	TEUs	Pct of Total	
West Coast					
Imports	1,948,811	55.77%	2,314,255	62.57%	18.75%
Exports	1,545,583	44.23%	1,384,177	37.43%	-10.44%
Total	3,494,394		3,698,432		5.84%
Atlantic & Gulf					
Imports	1,612,424	45.92%	1,850,486	48.45%	14.76%
Exports	1,898,668	54.08%	1,969,212	51.55%	3.72%
Total	3,511,092		3,819,698		8.79%
U.S. Total					
Imports	3,561,235	50.84%	4,164,741	55.40%	16.95%
Exports	3,444,251	49.16%	3,353,389	44.60%	-2.64%
Total	7,005,486		7,518,130		7.32%

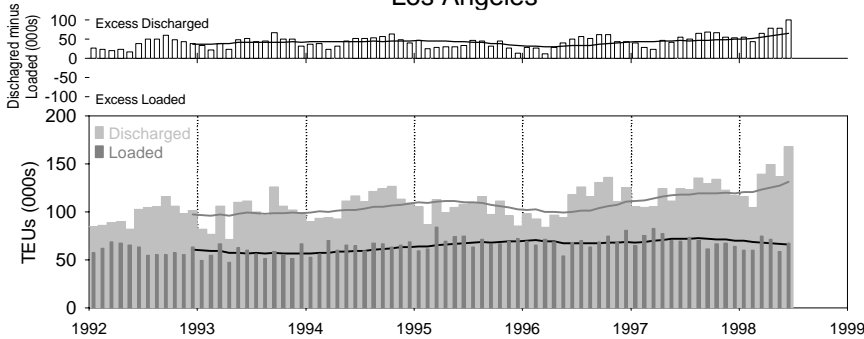
TEUs: Discharged vs. Loaded - Major West Coast Ports

By Month: January 1992 to June 1998

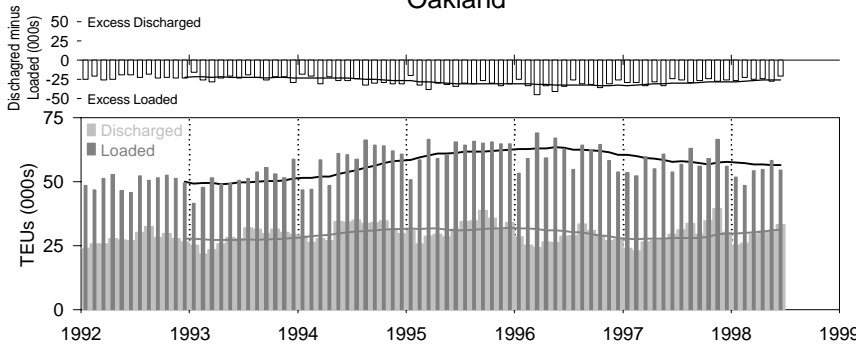
Long Beach



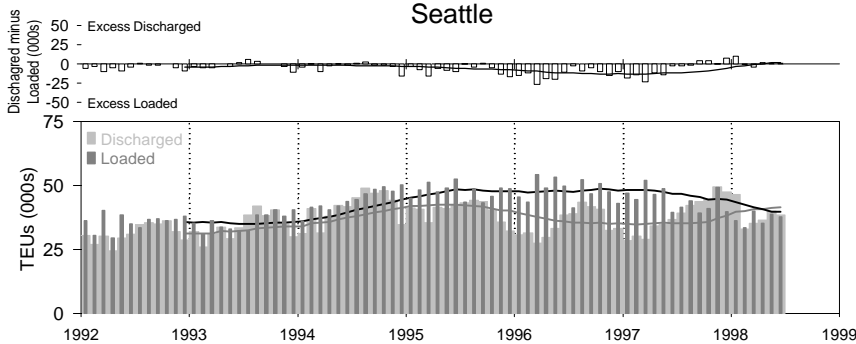
Los Angeles



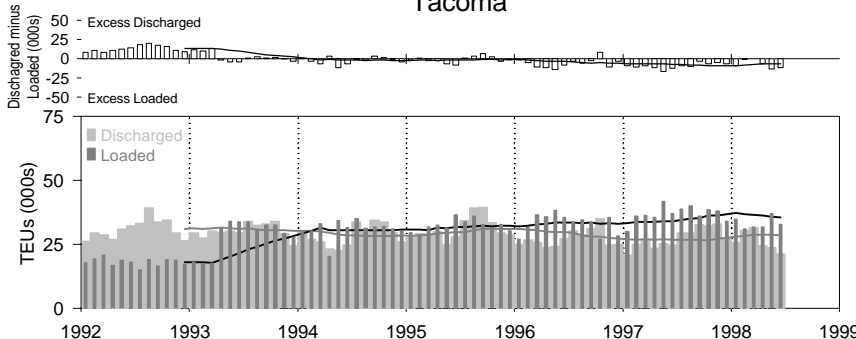
Oakland



Seattle



Tacoma



and 1998, and illustrates clearly that the brunt of the import/export imbalance is being borne by the West Coast. The near balance between imported and exported Atlantic and Gulf containers means that very few empties from the West Coast can be utilized in the Atlantic and Gulf trades.

When the number of discharged containers exceeds the number of loaded containers, the difference represents the number of containers that must be returned empty to an overseas trading partner to be refilled. Conversely, when the number of containers loaded exceeds the number of containers discharged, the difference represents containers that must be returned empty from our overseas trading partners.

In a perfect world, of course, there would always be cargo to fill every container when and where it is emptied. Unfortunately, foreign trade never seems to be in balance, neither in volume nor in value.

In the first six months of 1998, the number of discharged containers exceeded the number of loaded containers by 698,672 TEUs, an all-time high (811,352 TEUs using PIERS data). If this trend continues for the rest of 1998, excess discharged containers will approach 1.5 million container TEUs.

500 vessels loaded with empties

To put the current foreign container trade imbalance on the West Coast in perspective, consider that it would require over 235 ships with a capacity of 3,000 TEUs each to move the number of empty container TEUs that have been generated since the beginning of the year back to our Asian trading partners.

If the current upward trend continues, by the end of the year the equivalent of over 500 container vessels will have been required to move all of the excess empty containers back to Asia.

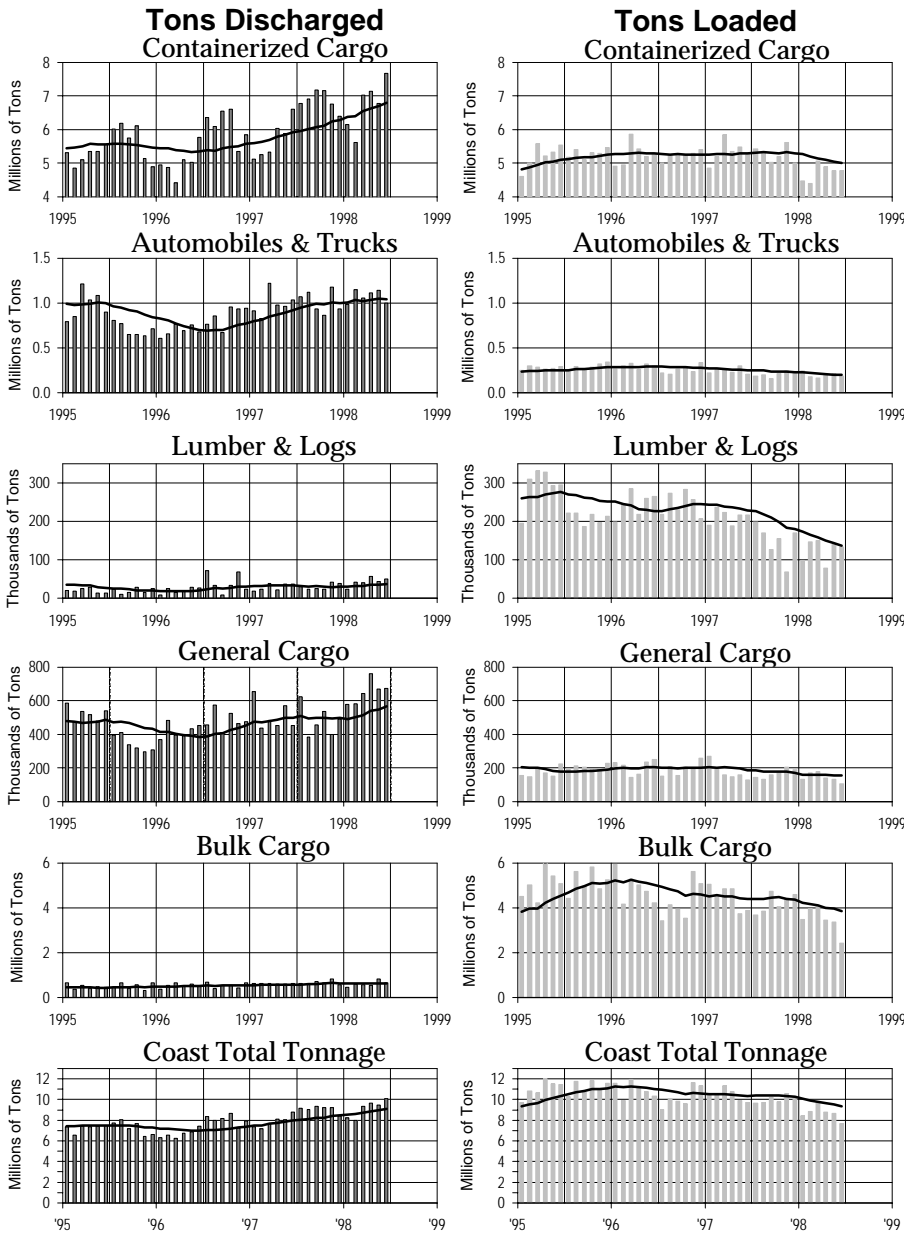
Many of these nearly 1,500,000 empty container TEUs will have to be brought back to West Coast ports after having been delivered with cargo overland to locations east of the Mississippi River. This means that thousands of train cars will be dedicated to carrying empty containers as well as many thousands of trucks, creating a significant logistics challenge for the transportation industry and adding tens of millions of dollars to transportation costs.

The economic impact on the transportation carriers from moving so much "air in heavy boxes" is mind numbing. The system cannot afford to absorb this added expense without shippers expecting to see at least a partial offset of these costs through higher rates.

NOTE: The terms export and import are used when discussing foreign trade in general and the terms discharged and loaded are used when discussing PMA West Coast data. The distinction is that PMA data includes not only import (discharged) and export (loaded) containers, but also, containers bound to and from Alaska and Hawaii. Coastwise containers have been excluded for the purposes of this study.

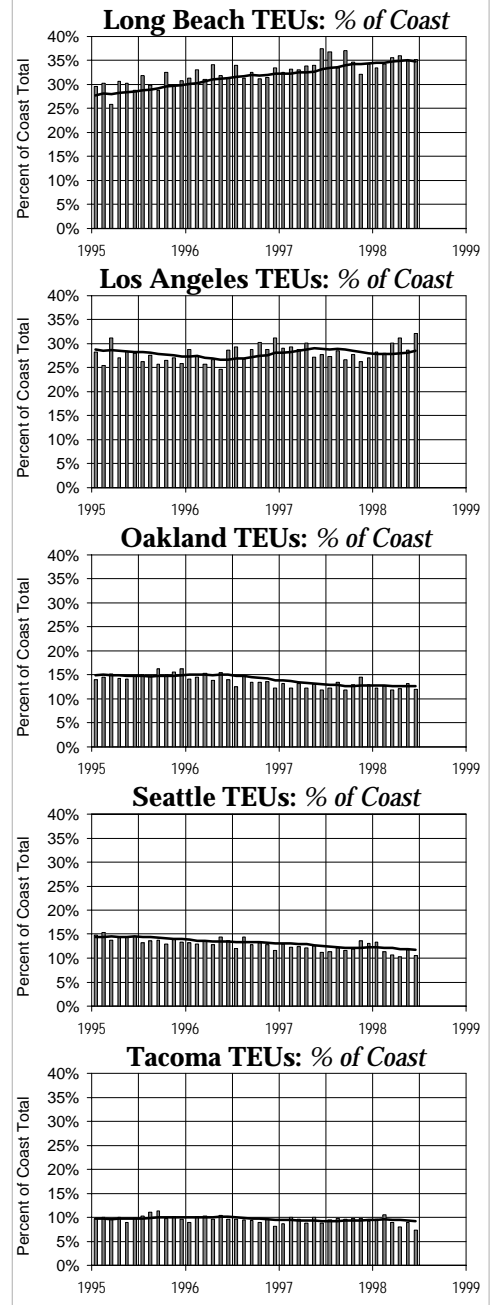
Monthly Tonnage by Reporting Category: Discharged vs. Loaded

Actual Tons Reported by Month



In the Tonnage graphs above, bars represent monthly totals, and the lines show 12-month moving averages.

Major Container Ports: Percent of Coast Total TEUs



"Weighted" Tonnage: % Discharged vs. % Loaded

("Weighted" Tonnage = Containerized + 1/6 of Autos & Trucks + Lumber & Logs + General + 1/50 of Bulk)

% Discharged % Loaded

