

**2004 TEJON LOGISTICS SUMMIT:**

On October 8, 2004, professionals from the Western United States gathered at Tejon Ranch to discuss trends and challenges in the supply chain that affect the ability of corporate America and logistics professionals to provide efficient and sustainable solutions. Those in attendance included representatives from the Port of Los Angeles, terminal operators, steamship lines, Chinese manufacturers, Swift Transportation, Watkins Motor Lines, logistics consultants, and representatives from Sears, Target, and Genco on behalf of Ikea. Topics included the current and future distribution trends, logistics challenges, and solutions for the near and long-term.

**CHALLENGES:**

- ◉ **Volume:** Up to 20% increase in TEU volume at Ports of LA/Long Beach in 2004 vs. 2003 for a total of 10,961,337 TEU's for first 9 months of 2004. 40% of all U.S. goods are imported through Ports of LA/Long Beach. 60% of those are shipped east of the Rockies. Volumes are expected to triple by 2025.
- ◉ **Delays:** Five to six-day delays for ships due to lack of infrastructure/ labor shortage. These delays can cost up to \$80,000 per day, with every delay costing the shipper and ultimately the consumer.
- ◉ **Community:** Community leaders and politicians are pushing back on the ports regarding noise, traffic, and environmental pollution affecting port growth and their ability to manage the increased volume. Some cities are considering banning off-peak trucks in an effort to reduce nighttime noise.
- ◉ **Rail:** There is a significant gap in funding infrastructure improvement of rail system in Southern California. BNSF is putting shippers on strict quotas due to lack of trained employees, trains, and rail capacity.
- ◉ **Trucking:** Major carriers report 100% turnover annually of over-the-road drivers as experienced drivers opt to drive dedicated routes. (Jesse Whitmore, Swift Transportation) Rising fuel costs forcing owner-operators out of business, and new governmental emission regulation may force more small trucking companies out of business. Most freight in Southern California is leaving the LA area, and very little is being shipped in.

**TRENDS:**

**Trade:** U.S. exports to China in 2003 totaled \$28.4 million nearly double the 2001 total. Expect to see more containers return to China full now that China is a WTO partner, and demand for American products continues to increase.

- ◉ **Fees:** 900% increase in BNSF storage fees, from \$15/day to \$150/day at their intermodal facilities in San Bernardino, Los Angeles and Stockton in response to

increased demand. Expect to see additional fees from the rail companies, steamship lines and possibly Government.

- ◉ **Location:** More companies moving distribution centers farther from ports to take advantage of cheaper land, cheaper labor and a more efficient outbound solution if they are serving an entire region.

**SOLUTIONS:**

- ◉ **Fees:** Impose a per-TEU tariff on companies that ship their products outside of Southern California on the 710 and other heavily used and under-funded transportation corridors to help pay for infrastructure improvements and move the cost to the actual users of the ports, who are located throughout the US.
- ◉ **Timing:** As they order cargo earlier to mitigate any damage done by port delays, companies will need "distribution centers for [their] distribution centers" (Doug Bailey, Target)
- ◉ **Port Congestion:** 39 ships diverted from LA/Long Beach from July-September 2004. As more ships are diverted, expect West Coast ports like Oakland, which has excess capacity, to pick up more volume.
- ◉ **Location:**
  - ◉ Strategically placed distribution centers within a one-day truck turn of regional stores to counter the problem of driver turnover.
  - ◉ Movement of distribution centers out of traffic congested Inland Empire and Los Angeles to outlying areas such as Victorville or Tejon Industrial Complex. Immediate solutions will have to make more efficient use of existing infrastructure.

Sources: Logistics summit participants; Don Snyder, Port of Long Beach; Pacific Shipper, October 18, 2004; US Department of Commerce.

**WHERE IN THE WORLD:**

- ◉ Nov. 3-6: SIOR – Baltimore, MD


- ◉ Nov. 8-10: NACORE – San Antonio, TX

**BROKER TOOLBOX**

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