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Transloading Hits Record in L.A. in 2013, Future May be Incremental

Bill Mongelluzzo, Senior Editor | Jan 31, 2014 10:05AM EST

The transloading of imported cargo from marine containers to domestic containers in Southern California increased sharply in 2013, but new data suggests transloading has hit a plateau and future growth will be incremental. The longer-term implication of this trend, if it plays out, is that it could indicate retailers and other importers are comfortable, at least for the moment, with the distribution strategies they have developed for their imports from Asia.

The next big change in supply chain logistics would come following a significant event, such as the widening of the Panama Canal, which is at the moment is set for completion in late 2015, or a sudden spike or drop in intermodal rail rates. Importers are optimizing their supply chains and the ports through which they are shipping. They seem to have figured out in many ways how best to move merchandise to inland destinations. “Today’s logisticians are managing their supply chains more intelligently,” said Scott Weiss, vice president of client solutions at Tailored Services.

Larger importers generally ship through several different ports. When they use intermodal rail from Los Angeles-Long Beach, they may ship some 40-foot marine containers intact to inland destinations, and they may also transload some shipments into 53-foot domestic containers before moving the containers via rail. Although transloading occurs at many ports, Southern California is the epicenter of transloading in North America. More than 40 percent of all U.S. containerized imports from Asia move through Los Angeles-Long Beach. The ports also benefit from frequent and extensive intermodal rail services and normally ample supplies of equipment.

Transloading claims record share in LA-LB rail movements

According to data provided by the Alameda Corridor Transportation Authority and compiled by TTX, the transloading of marine containers to domestic rail accounted for a record 47.7 percent of all shipments that moved by rail from Los Angeles-Long Beach in

2013. That was up from 44.1 percent in 2012 and 33.2 percent in 2006, said John Doherty, CEO of ACTA. The gain came at the expense of imported containers that were shipped intact by rail to inland ports in Chicago, Dallas and other cities. Intact marine containers were an estimated 52.3 percent of all shipments that moved by rail last year from Southern California. That was down from 55.9 percent of total rail shipments in 2012. Intact containers as a percentage of total rail traffic peaked at 66.8 percent in 2006.

Transloading of marine containers to domestic rail as a percentage of total containerized imports through Los Angeles-Long Beach also set a record last year. Transloaded containers accounted for an estimated 33.2 percent of the total import volume at the nation's largest port complex. That was up from 29.6 percent in 2012. Conversely, the share of total imported containers that moved intact by rail from Southern California dropped to 36.4 percent from 37.5 percent in 2012. Intact intermodal rail shipments peaked in 2001 at 43.8 percent of total imports.

Transloading hits plateau

Although transloading increased last year, Doherty said beneficial cargo owners are indicating that transloading has hit a plateau. ACTA's projections for transload market share in 2014 are almost identical to the 2013 numbers. BCOs indicate that at this point pretty much everything that can be transloaded is being transloaded, he said. Weiss agreed with that analysis. Logistics professionals have more sophisticated tools at their disposal than they did 10 years ago, and they are using network optimization strategies to maximize efficiency and control costs, he said.

Flexibility in routing decisions

A major driver of transloading is the flexibility it gives importers to postpone the choice of the destinations in the U.S. until the containers land on the West Coast. A container booked with a carrier from Shanghai through to Chicago cannot be re-routed because the space is reserved on railroads. Postponement allows retailers to direct merchandise to where it is selling the best and to divert shipments away from locations where sales are slow because of weather or other factors. Transloading allows the contents of three 40-foot marine containers into two 53-foot domestic containers, which saves money on the intermodal rail move, and there are many more inland destinations served by domestic intermodal versus ocean container where carriers have withdrawn from providing service to many secondary markets.

While postponement is still important in making logistics decisions, "now it's about supply chain optimization," Weiss said. Cost of transportation has become more important than ever before. For example, since shipping all-water from Asia to the East Coast is cheaper than shipping via intermodal rail through the West Coast, the additional transit time of 4-5 days via the Panama Canal or 8-10 days via Suez Canal water can be planned for.

However, high-value, time-sensitive shipments are normally routed through the West Coast. The electronics maker Voxx Corporation ships via ocean to Seattle-Tacoma and then transloads the goods into trucks for a fast team-driver sprint to distribution centers on the East Coast (a case study that will be presented at TPM in Long Beach in March).

Rail costs, Panama Canal expansion may shape transloading's future

Intact shipment of containers will always have a place in logistics. Some importers have located import distribution centers close to rail logistics hubs in Chicago, Dallas, Kansas City and other inland population centers. This strategy has the advantage of greatly reducing the drayage move from the railhead to the DC. For those shippers, the intact movement of marine containers will continue to make sense. Rail intermodal costs play an important role in the decision to transload or ship intact, said Ron Sucik, a principal at RSE Consulting who has studied transloading trends since the 1990s when he was at TTX. Transloading spiked in the past when railroads increased intermodal rates, or when the price of fuel increased sharply, he said.

The question of what will happen to cargo routing from Asia when the Panama Canal is enlarged to accommodate vessels of up to 13,000 TEUs is yet to be answered, but intermodal rail pricing could play a role. For example, if canal tolls are increased significantly, or if the Western railroads lower intermodal rates in order to protect market share on inbound cargo from Asia, intermodal traffic volume from Los Angeles-Long Beach could pick up. That would contribute to an increase in transloading.

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