

Consumers will pay if Port can't solve shipping issues: Editorial Agenda 2015



Matt Elsen of Galaxy Wine Co., holding microphone, said the shipping costs associated with importing wine have doubled for his company since Hapag-Lloyd stopped serving Portland. (Mark Hester/Staff)

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Logistics are complicated. They can be frustrating, requiring managers to make difficult tradeoffs between cost and timeliness. And no one thinks about logistics until something goes wrong – like hundreds of trucks and thousands of containers backing up at the [Port of Portland](#).

Importers, exporters and representatives of companies that help them ship their products spent Friday morning at an airport hotel discussing ways of overcoming the [withdrawal from Portland by major container shipping lines](#). Much of the discussion centered on – you guessed it – logistics.

But Peter Friedmann, who handles government relations in Washington, D.C., for the [Lindsay Hart law firm](#) and served as emcee of the meeting, issued an important reminder during the meeting, one that state legislators should remember: "This is not just some technical, transportation logistics thing. It's a driver for making Portland more expensive."

Indeed, while participants were urged to focus on solutions, there was no shortage of discussion about the added expenses businesses are incurring to get their products to and from market since the container lines gave up on Portland. Some of that expense will come out of profits, particularly for agricultural producers who have little control over their prices. But some also will be passed on to consumers.

This isn't a problem that affects just a few businesses. The Port estimates that more than 1,000 Oregon businesses import or export goods in containers. Products exported range from computer components and paper to hay and frozen french fries. Almost \$21 billion worth of goods were exported from Oregon in 2014, including products shipped in bulk and by air. If the container operation at Terminal 6 remains closed long-term, those numbers will drop as some products become too expensive to export.

But the import side of the equation should worry consumers most. Oregonians' demand for clothes, food and household appliances won't decline just because shipping lines Hanjin and Hapag-Lloyd left Portland in the spring. Retailers will have to pay more to get those products on their shelves, and they will pass that cost along to customers.

So what can the Port, the Legislature or anyone else do to keep that from happening? Though participants were asked not to use the session to complain about labor problems at the Port, it was noted that the best long-term solution is resumption of service by container lines. Until the International Longshore and Warehouse Union and terminal operator ICTSI Oregon Inc. **reconcile their differences**, there are a few intermediate steps that could ease the pressure on business.

Perhaps the simplest idea from the meeting was to improve communication, making it easier to obtain information about Port delays, availability of containers, new shipping options, etc. Much of this could be done through a website. The Port shouldn't wait for any more meetings – **five more are planned around the state** – to act on this. It's easy enough to accomplish, though it will require the cooperation of all who use the Port's shipping terminal. It should not require major investment beyond software purchases.

A related suggestion was creation of a load-matching service. This also could be done by creating a website that would make it easier to track containers and route empty ones to sites where they are needed at the lowest cost possible.

There also was broad agreement that the board and state agencies should work to create some type of alternative location for dropping off and transferring containers. If container ships aren't calling on Portland, some of this activity could be moved to another location, reducing congestion and saving time and money. Of course, that requires finding a suitable location and putting necessary infrastructure in place. The idea merits further study, but controlling cost will be important since the ideal long-term solution is to convince a container shipping line to serve Portland.

The most that can be done through short-term logistical adjustments is to reduce the pain. "Some people wouldn't call them solutions," Friedmann said. "They're workarounds."

With the agricultural harvest here and the holiday season approaching, those workarounds are needed. Meanwhile, any long-term solution other than the return of major shipping lines will cost the state jobs and lead to higher prices for consumers.

--The Oregonian/OregonLive editorial board

COMMENTS

Peter Friedmann

2 days ago

The Friday July 24 editorial captured very well a complex and often obscure subject - the impact of freight transportation on the overall economy of the State of Oregon. The focus of the editorial was on the impact on the cost of living in Portland and Oregon, as the cost of imports (virtually everything we buy other than food and building materials) increases to cover the additional cost of bringing imported consumer goods down from Seattle and Tacoma ports. I concur and would only emphasize the impact of increased transportation costs and reduced transport options, threatens our EXPORTS as least as much. There is nothing we produce in Pacific Northwest agriculture and forest products, that cannot be sourced somewhere else in the US and in the world. When we can't deliver our hazelnuts, hay, meat, onions, potatoes, dependably and affordably to our foreign customers, they will look elsewhere. When we lose ocean carriage services and have to dray cargo up and down the I-5 corridor to Puget Sound in the face of a growing shortage of truck drivers, or have to absorb the 20% annual increase in domestic trucking due to burdensome/illogical federal regulation, or have marine terminals that are dysfunctional, then we cannot deliver our exports, and our customers are forced to look to New Zealand, Argentina, Poland, China, Australia, Canada, Holland, and Turkey to substitute for dairy, hay, alfalfa, onions, potatoes, and hazelnuts they prefer to buy from Oregon, Washington, Idaho. This threatens jobs and income throughout the state, from farmers, processors, ranchers, growers etc. in Klamath Falls, to Hermiston, to Albany. So the challenge is to help the Port of Portland attract new ocean carrier service, to help the terminal labor understand the impact of port productivity on the welfare of Oregonians and others, to develop "work-arounds" in the interim as the threat is immediate and so is the need for solutions that will allow Oregon exports to access world markets. Since the July 24 Workshop in Portland that was described in the editorial, there have been 2 more - in Redmond and Hermiston. More are coming - in Ontario, Albany and Medford. These Workshops are helping to identify practical near term and longer term solutions, while we wait to see if expanded carrier service can be attracted back to T6. These "work-arounds" include "inland" ports or load centers, which will allow trucked exports to reach facilities where they can be trucked or railed efficiently to the currently functioning gateway ports in Puget Sound, The question is where these should be located (Boardman, central Willamette Valley and Portland are candidates), and whether the UP and BNSF will support these. This is a formula which is being pursued by the most successful ports in the country, from Norfolk, to Savannah to LA/LongBeach. The Governor and the Departments of Business, Agriculture, Transportation should be applauded for understanding that transport and logistics have real and tangible impacts, and solutions to the crisis confronting both Oregon importers and Oregon exporters, must be identified and implemented NOW.