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Fitch: Congestion, Expanded Operations Challenge US Cargo Port Efficiency

Fitch Ratings-New York-20 October 2021: US cargo ports continue to see strong revenue performance as a result of sustained congestion and record volume, Fitch Ratings says. However, maintaining operational efficiency is an increasing challenge as bottlenecks have not yet resolved due to disrupted supply chains, mismatched rolling stock, capacity-strained logistics networks and ongoing labor shortages. Ports are now expected to see congestion pressures persist through the holiday season, with throughput patterns not expected to normalize until early 2022.

As noted in our July commentary, the San Pedro Bay Port Complex has been experiencing exceptionally high and growing volumes since mid-2020, driven by robust goods consumption. Port of Long Beach's (POLB; AA/AA-/Stable) total calendar 2021 YTD 20-foot equivalent units (TEUs) through September have grown 24% over the same nine-month period a year prior, while Port of Los Angeles' (POLA; AA/Stable) YTD TEUs through September were up 27% versus the same period in 2020. Fitch-tracked West Coast port TEUs were up 25% through August 2021 from the same period in 2020, and up 15% from the same period in 2019.

POLA recently announced it would move to 24/7 operations, as POLB did in September. Round-th--clock operations may help shift additional containers off ships, though ports are only the first stop along the way for imports, which make up the vast majority of cargo handled at West Coast ports. Sticking points remain in the form of warehouse capacity and trucking availability to move goods from the ports, particularly when expanded hours at ports do not match warehouses' and distribution centers' operating hours.

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