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Joseph Bonney, Senior Editor | Oct 02, 2014 5:36PM EDT



Low ocean carrier rates are to blame for much of the congestion afflicting U.S. container ports, several ocean carriers and terminal operators said at a Federal Maritime Commission hearing this week.

“With expenses outpacing depressed rates, the margins are not large enough for people to be nice guys and do the right thing,” said John Atkins, president of Global Container Terminal USA. “The service level you’re getting is what you’re paying for.”

With shippers unwilling to pay higher rates, ocean carriers have sought to control expenses by acquiring larger, more fuel-efficient ships that reduce per-unit costs. Carriers also have bargained for reduced rates from terminals that are struggling to attract capital needed for investments in facilities to handle the big ships.

“BCOs apply pressure to the carriers, who are introducing larger-capacity vessels all the time,” Atkins said. “Carriers put pressure on the marine terminal operators, who also are seeking additional volume. Everyone puts pressure on the truckers.”

This domino effect on service levels was described in different ways by several speakers at the FMC hearing in Baltimore. The session was the second of four regional sessions the commission is holding to gather information on port congestion.

FMC members William Doyle and Richard Lidinsky, who conducted the Baltimore hearing, said the hearings could lead to a formal fact-finding investigation by the agency, whose regulatory authority extends to ports and terminal operators.

Howard Finkel, executive vice president at Cosco Container Lines, told the hearing that carriers face constant difficulty maintaining rate levels. “Rates go down a lot faster than they go up,” he said.

Financial pressure was a key reason most container lines during the last five years have quit providing chassis as part of a bundled service. The still-evolving transition of chassis to lessors and truckers has been widely blamed for equipment shortages and dislocations that add to terminal congestion and delays.

Terminal operators say some of the most egregious turn times at terminals are due to holds placed on containers for inspections by U.S. Customs and Border Protection, and that budget restrictions have stretched CBP’s staff too thin to keep up with increased volume.

Several motor carriers warned that delays at ports are making it harder to attract and keep drivers.

Shirley Roebuck, president of Gilco Trucking in Portsmouth, Virginia, said her owner-operator drivers sometimes spend all morning picking up a load, “five hours into a workday, and we’ve accomplished absolutely nothing, not made a dime.”

George Berry, an owner-operator from Chesapeake, Virginia, said drayage drivers are leaving the business because of increasing difficulty earning a living. “Driver shortage? Duh! There’s a driver shortage because there’s a driver pay shortage,” he said.

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