

Port of Oakland in California to close major terminal

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On Tuesday, the largest terminal operator and stevedore in the US, Ports America (PA), announced that it was terminating its lease of the Outer Harbor Terminal (OHT) at the Port of Oakland. Operations will continue for another 30 days at the terminal, which will then be vacated by the end of 60 days.

The decision will have a long-term impact on the regional and national economy. There are currently no companies looking to pick up PA's lease and the Port of Oakland has stated that it may shift the OHT out of handling container ships. For the past 50 years the port has exclusively handled containers.

The Port of Oakland is the fifth busiest container port in the US, handling a total of 2.4 million TEU's (twenty-foot container equivalent units) in 2014, and the OHT accounts for roughly a fifth of the entire port's capacity. It is unclear what the short-term impact will be.

Some 1,700 longshoremen work at the port, under the control of the International Longshore and Warehouse Union, which negotiates on the workers behalf with a corporatist entity known as the Pacific Maritime Association (PMA), representing 72 companies at ports along the West Coast.

In the short term, port workers will likely be reassigned to other terminals. Port of Oakland officials said that the remaining terminals should have sufficient capacity to receive ships normally handled at the OHT. Doing the same work at a smaller number of terminals will inevitably mean additional weekend and graveyard shifts, as well as attempts by management to intensify the work and reduce the total number of shifts.

Just last May, the ILWU concluded a five-year concessions contract after a year of negotiations that included a four-day lockout after the PMA accused longshoremen of a work slow down. Overall, the Port

of Oakland has been operating at 50 to 60 percent capacity during the past few years due to the global economy and shifting trade patterns.

The Port of Oakland is the only port in California to handle more exports than imports due to its direct access to the Central Valley and the increasing concentration of imports in just a handful of ports. Global economic stagnation meant that container traffic grew by only 0.8 percent at the world's major ports in 2015. At the same time new ships with a combined capacity of 1.7 million TEU's, almost the total yearly traffic of the Port of Oakland, were launched last year.

This resulted in a 9 percent decline in ocean freight rates in 2015, and large potential losses in the shipping industry. Drewry Shipping Consultants Ltd. told the *Wall Street Journal* that container shipping is now comparable to the depths of the recession in 2009 and the sector could see losses of \$5 billion in 2016.

Shipping lines have been trying to maintain profits by using increasingly large ships focused on fewer ports. Just two regions in the US, Los Angeles–Long Beach and New York–New Jersey, accounted for 47.7 percent of the 31.6 million TEU's of container traffic in the United States in 2014.

Only a handful of ports are capable of handling the latest and largest ships which can carry several times the number of containers of older ships and place an enormous strain on local infrastructure. The largest container ship to ever dock in North America, the CMA CGM Benjamin Franklin (18,000 TEU), left the Port of Oakland just two weeks ago after first stopping in Los Angeles.

The largest ships capable of traversing the Panama Canal, Panamax ships, carry roughly 5,000 TEU's. The new ships require specialized cranes and represent an enormous amount of cargo that needs to be moved on

and off a ship in a short amount of time. An 18,000 TEU ship at 90 percent capacity is estimated to require 17,800 container moves in a five-day turnaround.

Moving that quantity of goods out of the port once they are off the ship presents its own difficulties. The Port of Oakland has already started experimenting with keeping its gates working on nights and weekends in order to spread out truck traffic and ease congestion.

The increasing use of these mega-ships is going to result in long periods of little work while longshoremen and port truck drivers wait for the freighter to arrive followed by grueling non-stop activity when it does.

The decision was made by PA in order to focus its investments on its operations in Tacoma, Washington, and Los Angeles and Long Beach in California, which are expected to receive the bulk of the large freighters on the West coast.

Many ports are increasingly using automation to meet the demands of the new freighters. The US Labor Secretary Thomas Perez called for increased automation in US ports after touring the Hamburg docks in Germany over the weekend and called on the trade unions like the ILWU to help implement job cuts saying “The way to make sure you do it right is to have meaningful dialog and a legitimate seat at the table for everyone.”

In a rational economy the introduction of new technologies and more efficient ships would mean a significant increase in the wealth of workers. Under capitalism the money saved with new technologies is pocketed directly by investors while management and the trade unions pressure the workers to cut wages and benefits to stay competitive.



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