

THE IMBALANCED GULF COAST PORT ECOSYSTEM

The Port of L.A.-Long Beach—now embattled with backlogs and congestion—has become better equipped over years of trial and error to handle seasonal surges of imports from Asia. Neighboring ports on the West Coast have followed suit and evolved around Trans-Pacific trade lanes. Even though the Gulf Coast has been handling spillover TEU from the West Coast for the last several months, that's not what the port infrastructure in that region is built for. They've adapted around their own set of imports and exports, and that's working against their current efforts.

Our OEC LLS team is very familiar with all Gulf Coast ports, but the majority of our interactions are with Houston and New Orleans due to their standing in the liquid logistics sector. As one of the larger ports in the Gulf, Houston is fairly well-equipped to handle above-average freight volumes, but obviously we're experiencing historic streams of freight right now and there are backlogs. Additionally, a significant portion of Houston's processing power is for bulk goods and liquid rather than containerized products. On the other hand, the Port of New Orleans is not designed process the volume of containerized or bulk goods associated with this kind of market. Their operations are much more focused on exports and a low volume of imports. The Port of Mobile is similar in size and production potential to Houston, but, like every port in the Gulf, it was not built to handle the volumes we're seeing right now. Part of Mobile's growth is due to the establishment of big box distribution centers in that Gulf region. The port partially developed around processing inventory for those high-volume operations.

"It's no question that both the West Coast and the Gulf Coast are overextended right now," explains Andrew Bower, Director of Sales for OEC LLS. "Neither region has been developed to handle these never-before-seen TEU levels, but the Gulf is certainly less equipped. That's no fault of theirs, historically the most substantial flows of cargo have gone to the East and West Coasts. Port executives even worked to expand capabilities by substantially increasing the Gulf Coast workforce."

In fact, that workforce jumped 20% between 2021 and 2022. The larger numbers did not have a chance to increase production and capacity because of COVID-19. Pandemic regulations and cases of COVID-19 prevented ports from unlocking their full processing potential. Despite the best efforts of the Gulf Coast ports, the previously established ecosystem—and COVID-19—have made the current situation an uphill battle.

