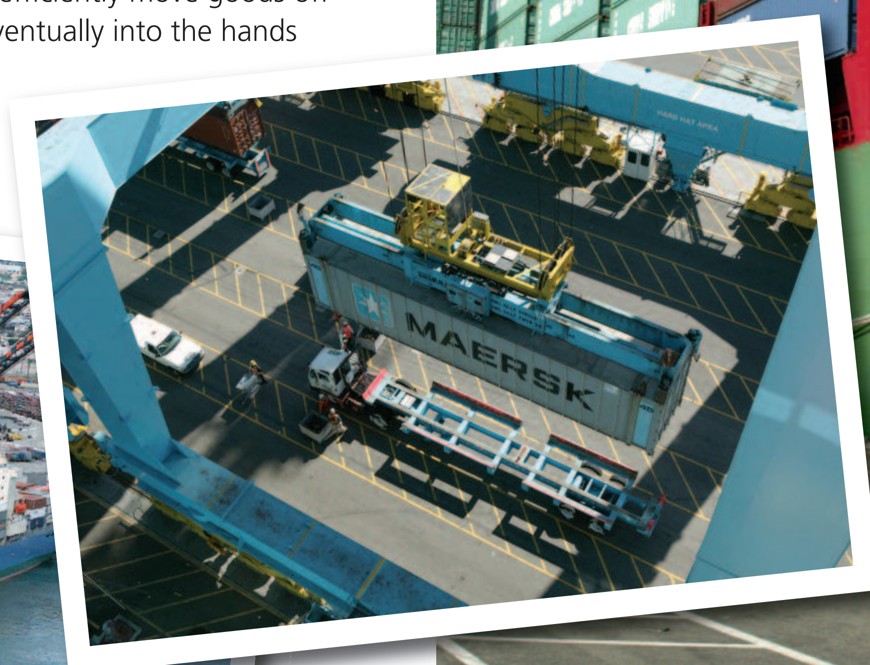

# Logistics Primer for Importers to Southern California Seaports:

## What to Do After Your Product Clears Customs

The Ports of Los Angeles and Long Beach – the San Pedro Bay Ports Complex – are the leading gateways for trade between the United States and Asia. Navigating this immense complex can be like getting across town in LA without a GPS. The labyrinth of roads and marine terminals, combined with port procedures, terminal procedures and state and local laws on cargo freight movement, present barriers that can stop your cargo dead in its tracks.

With 10,700 acres of land and 68 miles of waterfront, the combined ports process 38,000 twenty-foot-equivalent containers (TEUs) per day. If your container is among them, and you want to avoid costly delays, it helps to know the ins and outs of how terminals work and the role you can play in expediting product movement once goods have cleared customs. This paper provides background and tips for importers to quickly and efficiently move goods off port, to a warehouse, and eventually into the hands of your customers.




## Processing Containers: The Role of Marine Terminal Operators

There are 13 marine terminal operators (MTOs) at the San Pedro Bay Ports Complex. MTOs are businesses that contract with ocean carriers to process containers at the port. The assumption at the origin point is that all MTOs are the same, but that's not necessarily true. Differences in relative efficiency are cyclical, but some MTOs are slower and less efficient than others. Port delays can trigger a series of subsequent supply chain delays that increase costs and erode customer confidence.

Drayage companies, whose drivers get stuck waiting at the port for containers to be released, can give you the best read on what MTOs to avoid. Armed with this knowledge, you now need to look at your sailing schedule. The schedule that lines up best with your production schedule may not be the best choice if it involves a steamship line that uses an inefficient MTO. If you are a beneficial cargo owner, having a direct contract with the steamship line may reduce your rates, but you are at the mercy of the MTO your steamship line is contracted with during the discharge process. An alternative is to contract with an NVOCC. This gives you access to multiple carriers and MTOs, however you will likely pay a premium for the NVOCC contract and the accompanying value-added services offered.

## Getting Goods Out of the Port

Once your containers arrive and are off-loaded, now you have to move them off dock to an inland distribution center or transload facility. In Southern California, there are a few questions you will face regarding these drayage moves.

### Can I manage drayage myself using low-cost drayage partners?

If you haven't had a lot of on-the-ground experience navigating the Ports of Los Angeles and Long Beach, it can be confusing and costly. Your ideal guide is a drayage partner that makes multiple daily runs in and out of the Ports and understands their detailed operating procedures. Cost is an important criterion when choosing a drayage partner but remember, the provider with the lowest price may not offer the lowest cost if poor service results in delays or fines.

Picking up a container is not like pulling up to an address to pick up a parcel package. The maze of roads to and from the 13 MTOs in LA and Long Beach can be extremely confusing, and the different procedures for chassis and container pickups only add to the confusion. Let's say your products are being shipped by MOL, whose containers arrive at TraPac Terminal. MOL is part of the New World Alliance chassis pool program, which stores chassis at a separate site in the Port complex. The driver needs to know to first pick up the chassis at the chassis pool site before making his way to pick up the container at TraPac. With an inexperienced drayage partner, you can get in trouble fast and lose hours of time and thousands of dollars linked to fines and supply chain delays.

### Should I move my goods during the day or at night?

Importers to the Ports of LA and Long Beach are subject to the PierPASS program, which charges $123 per FEU to any company moving goods off port during the peak hours of 8 am to 5 pm. PierPASS is a not-for-profit company created in 2005 by marine terminal operators to address congestion, security and air quality at the Ports. While moving goods at night will avoid the PierPASS charge, it may result in other costs. For instance, if your destination warehouse is not open 24/7, you may have to pay your drayage company a pre-pull charge (about $75 per FEU) to take the container to its yard and hold it overnight until it can be delivered the following business day when the warehouse can receive the goods. Another option is to employ a "drop and hook" program in which the drayman takes a container to your facility, drops it in your secure yard to be unloaded at a later date and, at the same time, hooks up to an empty container for a return trip to the port.

### What if my container is overweight?

If your products, and therefore your containers, are heavy, you may run afoul of California State highway weight limits, which place an 80,000-pound limit on vehicle weight (tractor, chassis, container and product combined). Fines are steep and law enforcement officers can spot an overweight vehicle easily by observing where the container sits relative to the chassis.

You'll need to move the container to a transload facility in the overweight corridor – specific locations near the port – so goods can be transferred off the container to create a load that is safe and legal to transport to the final destination. Once again, it helps to be working with a dray partner that has the equipment and experience to advise you on overweight moves and the permits required.

### Where can I find the right dray partner?

Finding the right drayman is a moot question if you move your goods door-to-door. The steamship line will make this decision for you and will mark up the costs. The extra cost could be worth it if you want to avoid the hassle, but these days every dollar counts. There are certainly online sources where you can search for providers of drayage services in Southern California; loadmatch.com is one. But the choice of drayman is so important you may want to talk to your freight broker or others familiar with the dray market in Southern California.

Many importers prefer to avoid managing separate service providers for drayage, warehousing and delivery. Instead, they work with a full-service third party logistics provider (3PL) with a turnkey solution for product distribution – from port to final delivery. If you can find the right Southern California 3PL partner, there are several advantages to single sourcing:

- Reduced time to administer multiple partners
- Full visibility of your inventory from port to final delivery
- Single invoice for all services
- Single point of contact who knows your business and can resolve issues quickly for you

## Storing Product for Final Distribution

Most importers to Southern California want to establish a nearby warehouse for national, regional or local distribution. There is no shortage of warehouses to choose from. In fact, there's about 1 billion square feet of California warehouse space from Bakersfield to the Mexico border. The question is where to locate your inventory. If you establish a transload/warehouse facility near the port, your drayage costs will be cheaper and transportation costs to LA customers lower, but space and labor costs will be higher and you'll deal with LA-area road congestion. If you choose to locate in the Inland Empire region – a major hub for logistics activity 60 miles east of Los Angeles – your space and labor costs will be cheaper and facilities will be newer, but drayage and outbound transportation costs will increase because of the added distance from the port.

The right location choice for a West Coast distribution center will depend on the specifics of your business. The accompanying "If/Then" chart can help you decide what's best for you. There are many variables to be considered and the chart covers just a few. The right 3PL partner can do a detailed analysis to determine the optimal warehouse location for your business.

## Moving Goods Efficiently to Inland Markets

If your Southern California imports ship to customers or distribution warehouses throughout the country, here are some freight options to consider:

- **Direct rail from the port.** Many shipping lines have on-dock rail service at the port for direct loading of containers onto railcars. Rail has become a more reliable option for shippers in recent years. For transporting goods to inland distribution points, rail is the most economical mode, pound for pound. Modern doublestack trains allow hundreds of cargo containers to move inland from the port that would otherwise have moved via less efficient single-stack trains or container-carrying trucks.

### Choosing the right location for a West Coast distribution center

| IF... | THEN... |
|---|---|
| You are doing mainly B2C fulfillment with parcel carriers | The inland empire will provide the most economical labor and space |
| You are delivering to customers in and around the city of LA | It may make sense to warehouse closer to the ports in LA County to reduce transportation costs |
| A majority of your products ship to other areas of the U.S. | The Inland Empire offers less traffic and faster access to rail heads and eastbound interstates |
| You have significant will-call business in LA | An LA County warehouse will be a better, more convenient choice for your customers |
| Your business is seasonal and you have a low turn rate for much of the year | You can save money by storing inventory in the Inland Empire, where warehouse costs are lower |

- **Transload for intermodal moves.** Many importers to Southern California stage goods at a local transload facility prior to shipment to other U.S. markets. At the transload facility, containers are unloaded and the inventory is segregated and immediately loaded onto trailers or railcars for outbound distribution. Often, a portion of this inventory is stored at the warehouse to fulfill orders for West Coast customers. Transloading gives shippers the flexibility to postpone decisions on the final destination of their import cargo. Retailers, for instance, can get a real-time read on inventory levels at various U.S. distribution centers and target replenishment shipments to put the right inventory in the right locations.
- **Pool distribution for low-volume moves.** If you are delivering LTL volumes to customers across the U.S., you can cut your transportation costs dramatically by consolidating your orders by region and working with a 3PL or carrier to ship full truckloads into a regional freight terminal. There, inventory is segregated by consignee and reloaded onto trucks for final mile delivery. A pool distribution strategy reduces transit times and allows the longest leg of the journey to be covered at lower cost truckload rates.

Which freight strategy is best for your imports? A savvy 3PL – one with the right analytical tools – can help you do a landed cost analysis to determine the implications of various transportation approaches to your bottom line.

## Import Logistics: Outsource or Do It Yourself?

Most companies that manufacture goods offshore are predisposed to outsource warehousing and distribution services. They want to remain asset light and don't want the time and hassle involved in running facilities, hiring and managing people, and investing capital in a non-core function. Those that manage their own logistics operations do so because they want direct oversight of operations to minimize costs. But their cost analysis typically doesn't factor in many important considerations:

- **Scalability.** Many 3PLs will allow your warehouse footprint to expand and contract as demand fluctuates, so you pay only for the space and services your volume requires. This lets you economically manage downturns and large volume spikes.
- **Agility.** 3PLs have an existing infrastructure of facilities and systems. Having the ability to tap into this "virtual logistics network" allows you to move faster than competitors and respond quickly to new opportunities.
- **Responsiveness to unplanned events.** Things don't always go as planned and 3PLs tend to have a better ability to manage last-minute rework projects. Let's say you require a label change to a product that's already on the water. Experienced 3PLs will immediately begin designing the rework procedure and lining up the required manpower. They can arrange to be notified by the MTO when the container is discharged so that the hot container can be immediately picked up and work can start on the project.

## Converting Your Import Freight to Cash

Your Southern California import freight has little financial value sitting in a container. You want to get these goods off the dock and into your customers' hands as fast as possible. Here's where experience matters. To avoid delays and fines, you need the knowledge to navigate not only the physical LA and Long Beach Port complexes, but also port regulations, terminal procedures, and local laws on container freight transport. Whether you decide to go it alone or work with experienced partner, this local knowledge is essential.

*Founded in 1924, Weber Logistics is a third-party logistics company that provides warehousing, transportation, and port logistics services on the West Coast. With distribution centers throughout California and a fleet of trucks for dry and temperature-controlled deliveries, Weber gives growing companies flexible, scalable distribution solutions for their West region customers.*

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