

California Legislature

ASSEMBLY & SENATE SELECT COMMITTEES ON PORTS AND GOODS MOVEMENT

The Perfect Storm: California's Port Congestion and Goods Movement Crisis

**November 3, 2021
9:30 AM – Room 4202**

Agenda

- I. Opening Remarks
- II. An Overview of California's Port Congestion and Goods Movement Crisis
 - Danny Wan, President, California Association of Port Authorities
- III. Spiking Costs and Scarce Containers: How the Backup is Impacting Businesses & the Economy
 - Rachel Michelin, President, California Retailers Association
 - Roger Isom, President and CEO, California Cotton Ginners and Growers Association and Western Agricultural Processors Association
- IV. The State and Federal Governments' Role in Easing Congestion
 - Congressman Alan Lowenthal, California's 47th District
 - David S. Kim, Secretary, California State Transportation Agency
 - Dee Dee Myers, Senior Advisor to Governor Gavin Newsom and Director of the Governor's Office of Business and Economic Development
- V. The Ports' Role in Easing Congestion
 - Mario Cordero, Executive Director, Port of Long Beach
 - Gene Seroka, Executive Director, Port of Los Angeles
- VI. How Goods Movement Industry Leaders are Responding to the Crisis
 - Mike Jacob, Vice President and General Counsel, Pacific Merchant Shipping Association
 - Ramon Ponce de Leon, ILWU
 - Juan M. Acosta, Regional Assistant Vice President, BNSF Railway
 - Chris Shimoda, Senior Vice President, Government Affairs, California Trucking Association
 - Ron Herrera, Director, Teamsters Port Division
- VII. Public Comment



U.S. Department of Transportation

1200 New Jersey Avenue SE
Washington, DC 20590

November 3rd, 2021

The Honorable Lena A. Gonzalez
California State Senate
State Capitol, Room 2068
Sacramento, CA 95814

The Honorable Patrick O'Donnell
California State Assembly
P.O. Box 942849, Room 4001
Sacramento, CA 92924

Dear Chair Gonzalez and Chair O'Donnell:

Thank you for convening this hearing to examine the critical issues related to supply chain disruption. The Biden-Harris Administration is engaged in a whole of government effort to relieve the congestion issues that are hampering our nation's supply chain. The State of California, particularly through the Ports of Los Angeles and Long Beach, plays a foundational role for the supply chain, and we are hopeful that our continued engagement on this issue will begin to ease the burden in the short and long term as our economy continues to recover from the COVID-19 pandemic.

The Biden-Harris Administration has taken a number of steps to address the supply chain crisis, including supporting California-specific initiatives:

- In June, building off Executive Order 14017 "America's Supply Chains," the President established the Supply Chain Disruptions Task Force.
- In October, the President convened supply chain leaders in the public and private sector at the White House, where:
 - He secured commitments with the Port of Los Angeles and Port of Long Beach to enable 24/7 movement of goods.
 - The International Longshore and Warehouse Union (ILWU) announced its members will work those extra shifts.
 - Several large private sector companies announced they will use expanded hours to move more cargo during night and weekend hours, helping to alleviate port congestion.
- Engaged on an ongoing basis with the Ports of Los Angeles and Port of Long Beach to encourage carriers to move containers in a timely manner to prevent logjams of goods at the ports.
- The U.S. Department of Transportation announced an Emerging Projects Agreement partnership with the State of California through the California State Transportation Agency (CalSTA) to fast-track a supply chain-related program of projects with TIFIA and RRIF loan capacity.
- The President held a Summit Chain Summit at the Group of 20 Leaders meeting with 14 countries and the European Union where he announced:

- An Executive Order that will allow the U.S. Department of Defense to release materials from the National Defense Stockpile to aid American stockpiling efforts.
- The U.S. State Department will provide funding and technical assistance to our partners in Mexico, Central America and announced new U.S.-ASEAN initiatives to cut port congestion by slashing red tape and reducing processing times so that ships can get in and out of our ports faster.
- Secretary of State Antony Blinken and Secretary of Commerce Gina Raimondo will hold a multi-stakeholder supply chain resilience summit next year.
- The Build Back Better Act would provide \$600 million for Supply Chain Resilience.

We will continue to act as an honest broker with key government and private sector stakeholders in California and across the country as, together, we respond to the current supply chain issues and build a more resilient and fluid supply chain that will meet the Nation's future needs. We look forward to engaging with the members of the California Legislature's Joint Select Committee on Ports and Goods Movement, Governor Newsom and members of his team. Alleviating congestion issues along the supply chain is a topic of critical national importance and will take partnership at all levels of government.

Sincerely,

A handwritten signature in dark ink, appearing to read 'John D. Porcari', is written over the printed name.

John D. Porcari

White House Ports Envoy

EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA

EXECUTIVE ORDER N-19-21

WHEREAS the world is experiencing global disruptions to the goods movement supply chain, which have been exacerbated by changes in the practices of numerous industry sectors during the COVID-19 pandemic and by changes in consumer demand during the ensuing economic recovery; and

WHEREAS California is the Nation's preeminent global goods movement gateway; The Ports of Los Angeles and Long Beach move roughly 35 percent of all containers in the United States (U.S.) and approximately 40 percent of U.S. imports and 25 percent of U.S. exports pass through the San Pedro Bay; and

WHEREAS California's nationally significant regional supply chains and goods movement networks have also felt the impact of global disruptions as reflected by dozens of ships waiting to enter San Pedro Bay ports, shipping container dwell times and street dwell times for container chassis more than double the normal average, and bottlenecks further downstream in the supply chain such as warehouses; and

WHEREAS while goods movement and supply chain management challenges are largely within the purview of the federal government and industry, the state can take action to reduce the congestion in California's ports to ensure people in California and across the country and world can access goods and supplies; and

WHEREAS the State has near- and long-term actions under way, in partnership with the Supply Chain Disruptions Task Force established by the Biden-Harris Administration – to strengthen the resilience of California's and the Nation's supply chain; and

WHEREAS the Governor's Office of Business and Economic Development and the California State Transportation Agency launched the California Supply Chain Success Initiative in August 2021 - a partnership with the Port of Long Beach and the California State University, Long Beach Center for International Trade and Transportation - to engage the diverse network of stakeholders along the supply chain to discuss key challenges and identify creative solutions; and

WHEREAS the Governor's Office of Business and Economic Development, the California State Transportation Agency, the California Department of Food and Agriculture, and the California Labor and Workforce Development Agency are crafting and driving solutions focused on key issues impacting the supply chain including, but not limited to, workforce and job training, data and technology, port and truck operations, infrastructure, and warehousing; and

WHEREAS the State has bolstered near-term solutions with longer-term investments, including \$250 million to help ports offset COVID-19 related losses; \$280 million for port infrastructure projects at and around the Port of Oakland; and \$1.3 billion over three years for zero-emission trucks, transit buses and school buses, including the deployment of over 1,000 zero-emission port drayage trucks; and

WHEREAS state agencies own parcels of land throughout the state, some of which exceed those agencies' foreseeable needs, and are frequently used to support broad public benefits and alleviate state-wide challenges such as housing crisis efforts, natural disasters, and health emergencies; and

WHEREAS the movement of goods and health of supply and distribution chains across California is a matter of vital statewide importance; and

WHEREAS the Governor's Office of Business and Economic Development has engaged with the ports and industry to determine space requirements and other specifications to screen properties for potential offsite container storage; and

WHEREAS California's port workers and other essential workers throughout the supply chain, including longshore workers, marine clerks, truck drivers and warehouse workers, have made unprecedented efforts to process and transport record cargo volumes throughout the crisis; and

WHEREAS California is committed to fostering high road training partnerships that harness worker and employer voices to develop industry-based training programs that deliver job equity, sustainability, and quality while tackling urgent questions of income inequality, economic competitiveness, and climate change; and

WHEREAS I signed AB 639 in September 2020, which requires the California Labor and Workforce Development Agency and the California Workforce Development Board to convene stakeholders to develop recommendations on how best to mitigate the employment impacts of automation and transitioning to a lower carbon economy at the Port of Los Angeles and the Port of Long Beach; and

WHEREAS this fiscal year's budget funds the industry panel AB 639 established to consider such impacts; and

WHEREAS the State's comprehensive response can be further accelerated and bolstered with concerted interagency and intergovernmental action, as well as investment to strengthen our transportation system and support improved goods movement.

NOW, THEREFORE, I, GAVIN NEWSOM, Governor of the State of California, by virtue of the power and authority vested in me by the Constitution and statutes of the State of California, do hereby issue this Order to become effective immediately:

IT IS HEREBY ORDERED THAT:

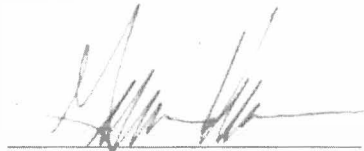
1. The Department of Transportation, in partnership with the California State Transportation Agency, within 30 days of this Order, shall, in collaboration with industry stakeholders, evaluate and identify priority freight routes to be considered for a temporary exemption to current gross vehicle weight limits.
2. The Governor's Office of Business and Economic Development shall identify non-state sites, including private, locally owned, and federally owned parcels, that could be available to address short-term storage needs to address the supply and distribution chain crisis.

3. The Department of General Services shall complete its review of state-owned property in proximity to impacted ports that may be made available to address short-term storage needs to address the supply and distribution chain crisis by no later than December 15, 2021. To meet this deadline, all agencies under my direct executive authority shall support this effort by timely responding to all inquiries made by the Department of General Services.
4. The Department of General Services shall collaborate with other state agencies to expedite leasing for the purpose of storing cargo containers on state-owned parcels identified pursuant to the Department of General Services' review.
5. The California Labor and Workforce Development Agency shall use existing resources to identify potential high road training partnerships to increase education, career technical education, job training, and workforce development opportunities for port workers and other workers across the supply chain. In identifying such opportunities, the California Labor and Workforce Development Agency shall first consider whether such partnerships can be funded through existing sources, such as the federal Workforce Innovation and Opportunity Act.
6. By December 31, 2021, the California Labor and Workforce Development Agency shall take all necessary actions to constitute and announce the membership of the industry panel required by AB 639 and codified at Government Code section 12893.1(a). The Secretary of Labor shall convene the panel for its first meeting by March 1, 2022.
7. The Department of Finance shall work with state agencies and departments to develop longer term proposals that support port operations and goods movement for consideration in the January 10 Governor's Budget. Proposals may include port and transportation infrastructure improvements, electrification of the goods movement system from port to delivery, workforce development, and other actions to support goods movement.
8. The Department of General Services, California Department of Food and Agriculture, the Governor's Office of Business and Economic Development, California State Transportation Agency, Department of Transportation, and the California Labor and Workforce Development Agency shall use all existing legal and financial authority to expedite and prioritize these activities, including by giving them preference in the award of state funding, pursuant to my further direction. Agencies not under my direct executive authority are requested to do the same.
9. The California State Transportation Agency, the California Department of Food and Agriculture, the Governor's Office of Business and Economic Development, and the California Labor and Workforce Development Agency shall continue to execute actions in coordination with the Biden-Harris Administration Supply Chain Disruptions Task Force.

I FURTHER DIRECT that as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this Order.

This Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 20th day of October 2021.

A handwritten signature in dark ink, appearing to read 'Gavin Newsom', is written over a horizontal line.

GAVIN NEWSOM
Governor of California

ATTEST:

SHIRLEY N. WEBER, PH.D.
Secretary of State



November 3, 2021

Assembly and Senate Select Committee on Ports and Goods Movement

Subject: Solutions to Supply Chain Congestion Issues

Supply chain disruption is a local, statewide and national issue. Addressing it requires engagement and collaboration at the highest levels. The Supply Chain Success Summit coordinated by the Governor's Office of Business and Economic Development (GoBiz), California State Transportation Agency (CalSTA), Port of Long Beach (Port) and California State University Long Beach Center for International Trade and Transportation (CITT) was a major step in bringing the highest levels of government and industry leadership together to identify root causes and develop near and long-term solutions. The Port has every confidence that the Supply Chain Success Initiative white paper being prepared by CITT will provide invaluable information and recommendations to solve the supply chain's challenges. As those recommendations are being formulated, it is in our collective interest that we implement solutions as soon as possible to minimize and eliminate bottlenecks that are hindering the movement of goods in California. Overcoming supply chain disruption will also have the added benefit of mitigating environmental impacts caused by congestion.

The Port of Long Beach recently announced bold new measures to improve freight movement and reduce delays as we continue to handle record volumes. These measures include expanding hours during which trucks can pick up and return containers and taking steps towards a 24/7 supply chain by maximizing nighttime gate operations. We also activated 64 acres of vacant land within the Port of Long Beach that can handle upwards of 14,000 containers per day for temporary storage.

Most recently, the ports of Long Beach and Los Angeles announced that we would be implementing a surcharge for containers left too long on the terminals. In the case of containers scheduled to move by truck, ocean carriers will be charged for every container dwelling nine days or more. For containers moving by rail, ocean carriers will be charged if the container has dwelled for six days or more. Beginning November first, the ports will charge ocean liner companies with cargo in those two categories \$100 per container, increasing in \$100 increments per container per day. Collection of this fee will commence no sooner than November 15, 2021.

While we institute short- and mid-term solutions, we need to look at the big picture and build for the future. But we cannot and should not do it alone. There is too much at stake for our economy.

In addition to these efforts, the Port of Long Beach respectfully asks that a State Supply Chain Relief and Sustainability package be included in the 2022 Budget. One that includes ongoing funding for workforce training, the development of supply chain digital infrastructure and infrastructure that increases capacity, velocity and efficiencies at California ports, so we can keep pace with other states that are heavily investing in their ports.

Below is a summary of proposed solutions to our current and future supply chain challenges.

PROPOSED SOLUTIONS TO CURRENT AND FUTURE CA SUPPLY CHAIN CHALLENGES

NEED	SHORT-TERM SOLUTION 1-3 months	MID-TERM SOLUTION 3-12 months	LONG-TERM SOLUTION 1-5 years
Create more temporary storage space for containers	<p>Extend and further clarify CA Executive Order N-54-20 as it pertains to CEQA requirements for the temporary use of land for container storage.</p> <p>Loosen or remove local moratoriums that currently hinder the use of off-site temporary storage.</p> <p>Identify & secure State surplus properties for temporary storage.</p>		
Increase chassis pool	Support exemptions for the purchase of foreign-made chassis.	<p>Revisit Port procurement requirements as it pertains to Port ownership of chassis.</p> <p>Invest in increasing CA and US manufacturing of chassis and other critical supply chain equipment.</p>	
Spread the movement goods over 24 hours/7 days a week	<p>Modify the Pier Pass Program to enable more night-time traffic and shorter truck turn times.</p> <p>Extend gate hours at Port terminals.</p>		
Collect, use and share data in a way that results in faster and more efficient movement of goods		Designate funding for the development of data solutions and implementation of pilot projects that leverage technology to inject visibility and transparency into the supply chain. Projects that are compatible with other platforms and integrates the supply chain across the State and the Nation should be prioritized.	Scale up the data project to State and National level.
Increase and prepare supply chain workforce	<p>Create an incentive program for truck driver and crane operator certification.</p> <p>Convene the Labor and Workforce Development Agency and the CA Workforce Development Board stakeholder group to start studying impacts of port electrification projects on the workforce.</p>	<p>Fund and implement truck driver and crane operator certification programs.</p> <p>Study results of State electrification stakeholder process.</p> <p>Secure funding for a San Pedro Bay Port Complex supply chain workforce training center.</p>	Build and open a supply chain workforce training center in the San Pedro Bay Port Complex.
Increase permanent capacity and efficiencies at the Port		<p>Include a State Supply Chain Relief and Sustainability package in the 2022 Budget</p> <p>Secure State and Federal Funding for POLB On-Dock Rail Projects.</p>	Build \$1 billion POLB On-Dock Rail Projects.



Proposed Solutions to the Joint Select Committee on Ports and Goods Movement

Major port gateways around the world have been experiencing unprecedented levels of congestion. At the Port of Los Angeles, one of the most visible indicators of this congestion is the number of ships at anchor. Under normal operations, cargo ships do not have to wait at anchor; however, the backlog of ships started rising a year ago and is nearing an all-time high due to the current holiday surge.

The Current Situation:

- The Port has been handling a record volume of cargo – averaging 900,000 container units per month for the past 14 months.
- Container ships are averaging over 2 weeks at anchor and the number of ships at anchor has steadily risen over the past few months.
- Large numbers of containers are not getting picked up at the port within the typical “free time” (4 days) – over 40% of containers at the Port have been sitting for 9 or more days.
- Lack of available chassis because they are either being stuck beneath loaded containers due to a lack of warehouse space; or they are holding empty containers because the empties cannot be accepted at congested terminals.
- Because of the lack of chassis and difficulty returning empties, a significant percentage (as high as 30%) of available gate appointments go unused.

Near-Term Solutions:

1. **Accelerate Cargo L.A.** – Works with participating cargo owners to “push” cargo out of the terminals:
 - *Beneficial Cargo Owners (BCOs) commit to pick-up their cargo.*
 - *The Port will work with terminals and carriers to make any day of the week, any hour of the day available for the participating BCOs to pick up cargo and return empties.*
2. **Container Excess Dwell Fee** – Frees up terminal space by assessing a \$100 fee on loaded containers that dwell for an extended period. No sooner than November 15, the Port will charge carriers \$100 per container, escalating \$100 each day, every day until the container is removed, for:
 - *Containers dwelling 9 days or more for truck pick-up*
 - *Containers dwelling 6 days or more for rail transport*
3. **Cargo Support Facilities** – We are activating properties within our port complex on an emergency basis to serve as cargo support facilities, including the receipt and stacking of empty containers to free up more chassis.

Long-Term Solutions:

1. **\$50 million – Terminal Island Cargo Support Facility** – Permanent activation of an 80-acre site on Terminal Island to serve as a cargo support facility. Currently, a loop of active and heavily used rail tracks encircles this site, limiting accessibility by truck or other equipment. Grade separations will enable unimpeded access to this site and optimize its use as a flex capacity space.

2. **\$150 million – Goods Movement Workforce Training Center** - Supply chain workers are essential workers. Ensuring an adequate supply of trained workers across the goods movement system is fundamental to system resiliency. The Center will be the first training campus in the U.S. dedicated to the goods movement industry. It will attract new workers, address skill shortages, and provide opportunities for workforce up-skilling or re-skilling to avoid future workforce shortages and address the rapidly changing needs of the industry. Importantly, the Center will also facilitate workforce transition towards a greener future and will be a state resource for workers to train on zero emission (ZE) technologies.
3. **Near-Term Deployment of Zero Emission Drayage Trucks** – Supply chain disruption and inefficiency lead to higher emissions of greenhouse gases and criteria pollutants. We are developing a first-in-the-nation program - *the ZE25 Program* - to deploy ZE (zero emissions) trucks to handle cargo movement to destinations within a 25-mile radius of the Port. By accelerating development and deployment of ZE port trucks, we hope to deliver air quality benefits to those port-adjacent communities hardest hit by congestion. Funding for this program will come from the Port and we ask you to consider supporting this program with state funding.
4. **Supply Chain Data Interconnectivity and Visibility** – At the Port of Los Angeles, we have invested in this critical capability through the development of the Port Optimizer. We recommend use of the Port's existing port community system to pilot advance end-to-end data sharing in support of California agricultural producers and manufacturers.



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Eric Garcetti

Mayor, City of Los Angeles

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Commissioner

Anthony Pirozzi, Jr.
Commissioner

Eugene D. Seroka

Executive Director

November 1, 2021

The Honorable Gavin Newsom, Governor
State of California
State Capitol, Suite 1173
Sacramento, CA 95814

Dear Governor Newsom:

The Port of Los Angeles is experiencing unprecedented levels of congestion. The clearest indicators of this congestion are the growing number of ships at anchor and marine terminals densely packed with containers. As you know, port congestion is symptomatic of broader supply chain disruption, including the evident inability of some importers to absorb the elevated volume of cargo into their inland locations, a lack of available equipment (i.e., chassis) to move containers out of our terminals, and difficulty in accommodating empty containers and exports due to terminal congestion. While the Port has taken several efforts to address these issues, I write to request coordination with your administration on several near and long-term measures to address port congestion.

Port of Los Angeles Efforts to Date

Over the past several weeks, the Port of Los Angeles has adopted measures to address this complex issue. First, on September 17, we announced the launch of *Accelerate Cargo Los Angeles*, an initiative designed to work directly with cargo owners by addressing the root causes of their inability to access their containers on our terminals. Second, we are activating properties within our port complex on an emergency basis to serve as cargo support facilities, including the receipt and stacking of empty containers in order to free up more chassis. Third, on October 29, our Board of Commissioners authorized the levying of a temporary surcharge on cargo that sits in our terminals for an extended period.

Activation of Strategic Sites & Mobilization of the National Guard

We were encouraged to see the recent release of your recent Executive Order on Supply Chain Resilience (N-19-21). We stand ready to work in collaboration with your administration on identification of priority freight routes, implementation of AB 639, and development of high-road training partnerships in the goods movement sector. Of particular interest to us are immediate efforts to address supply chain disruption through the activation of sites – whether state or non-state owned – to serve as cargo support facilities. The use of one to three identified strategic sites in the region could be used to stage loaded import containers for immediate movement to their next inland destination, stacking of loaded imports containers that are not needed right away, or stacking of empty containers for eventual evacuation through the Port. For such site to have an impact, we recommend use of yard operators with the necessary expertise,

personnel and equipment to distribute and return containers from a wide array of locations, including the potential mobilization of a significant number of National Guardsman specifically dedicated to augment and support the tireless work of our existing trucking service providers. We would like to work with your administration to establish such sites and ensure that these sites can be used for the benefit of the entire San Pedro Bay Port Complex.

Longer-Term Projects to Address Supply Chain Disruption

Furthermore, in support of your Department of Finance's efforts to develop longer-term proposals, the Port of Los Angeles recommends the following projects to enhance system resiliency to future cargo surges:

- **Terminal Island Cargo Support Facility:** As mentioned above, the Port of Los Angeles has identified properties within the port complex to assist with operational challenges. Over the long term, we recommend permanent activation of an 80-acre site on Terminal Island to serve this purpose. Currently, a loop of active and heavily used rail tracks encircles this site, limiting accessibility by truck or other equipment. Grade separations will enable unimpeded access to this site and optimize its use as a flex capacity space. To that end, we request support for a grade separation project with an estimated project cost of **\$50 million** that will provide unimpeded access to an 80-acres site on Terminal Island.
- **Goods Movement Workforce Training Center:** Supply chain workers are essential workers. Ensuring an adequate supply of trained workers across the goods movement system is fundamental to system resiliency. Therefore, we request support for a *Goods Movement Workforce Training Center* at the Port of Los Angeles. With a project cost of approximately **\$150 million**, the Center will be the first training campus in the U.S. dedicated to the goods movement industry. It will attract new workers, address skill shortages, and provide opportunities for workforce up-skilling or re-skilling to avoid future workforce shortages and address the rapidly changing needs of the industry. Importantly, the Center will also facilitate workforce transition towards a greener future and will be a state resource for workers to train on zero emission (ZE) technologies.

Accelerated Technology Development & Deployment

In addition to the defined projects above, the current port congestion episode highlights two important areas of technology development where we believe California is uniquely positioned to lead: deployment of zero emission drayage truck and accelerating supply chain digitalization. The Port of Los Angeles would welcome the opportunity to collaborate more closely with your administration on the following two initiatives:

- **Near-Term Deployment of Zero Emission Drayage Trucks:** Supply chain disruption and inefficiency lead to higher emissions of greenhouse gases and criteria pollutants. Under our Clean Air Action Plan (CAAP), we have set a goal of achieving 100% ZE drayage trucks by 2035, which aligns with your Executive Order N-79-20. In pursuit of this goal, on November 4, we are bringing to our Board of Harbor Commissioners a new truck fee, which will generate funding wholly dedicated to ZE drayage trucks.


We seek to partner with your administration on the near-term deployment of ZE trucks and development of policies to support a sustainable ZE drayage truck market. Specifically, we are developing a first-in-the-nation program – *the ZE25 Program* – to deploy ZE trucks to handle cargo movement to destinations within a 25-mile radius. By accelerating development and deployment of ZE port trucks, we hope to deliver air quality benefits to those port-adjacent communities hardest hit by congestion. Funding for this program will come from the Port and we ask you to consider supporting this program with state funding.

- **Supply Chain Data Interconnectivity and Visibility:** As we continue to meet with supply chain users and service providers, one consistent message is the need for timely and uniform sharing of information across the supply chain. Ports in the United States remain behind their international peers in this regard. At the Port of Los Angeles, we have invested in this critical capability through the development of the Port Optimizer. The Port Optimizer creates a uniform and integrated source of maritime shipping data for use by cargo owners and supply chain stakeholders in order to improve operational efficiency. To date, the focus of the Port Optimizer has been the sharing of data on containerized imports.

We believe California has the opportunity to lead the nation in end-to-end supply chain digitalization. Use of available supply chain data can enable more efficient design and use of California's freight system. To that end, we would like to offer use of the Port's existing port community system to pilot advance end-to-end data sharing in support of California agricultural producers and manufacturers. The objective of this pilot would be to accelerate the development of data standards to enable interoperability end-to-end supply chain visibility regardless of the technology platform used.

I look forward to continuing our work with you and your administration to address the challenges facing the global supply chain. Thank you for your readiness to work with our federal partners and goods movement sector. Please feel free to contact me at Gene_Seroka@portla.org or 310-732-3456 for additional information.

Sincerely,



EUGENE D. SEROKA
Executive Director
Port of Los Angeles

EDS:DL:ccr

cc: The Honorable Toni Atkins, President Pro Tempore
The Honorable Anthony Rendon, Speaker
The Honorable Nancy Skinner, Chair Senate Budget Committee
The Honorable Phil Ting, Chair Assembly Budget Committee

The Goods Won't Move By Themselves

By Mike Jacob, PMSA Vice President & General Counsel

PMSA is proud to endorse the efforts of the industry, ports, and labor to respond to the current cargo congestion crisis as announced by President Biden this week ([see Statement by John McLaurin at PMSAship.com](#)), and we encourage more creative approaches to be piloted and evaluated until the congestion is eased. However everyone in the intermodal supply chain knows that these short-term and one-time efforts are no solution for long-term capacity constraints and congestion on the US West Coast. One thing that would help: actual federal focus, investment, and coordinated support for freight and the industrial transportation network which supports Pacific trade.

It is absolutely no surprise that the White House's announcement of business and labor efforts emphasized that the only real and effective short-term solutions to this congestion problem lie in the marketplace itself. That's why the most important, pertinent, and prescient statement made by President Biden in his remarks this week may have very well been his admonition that the voluntary opening by marine terminals of longer gate hours at the Ports in Southern California only has the "potential" to reduce congestion and supply chain snarls "because all of these goods won't move by themselves."

He is absolutely right, but perhaps more importantly it needed to be said. For every cog in the supply chain wheel, the business model is one that works best when it is recognized the least. When operating smoothly, the just in time international intermodal supply chain has been a modern marvel at producing efficient transportation across the globe at ever lower and lower per unit costs and lower and lower per unit emissions. This has given consumers – the ultimate driver of cargo volumes - worldwide the luxury of never needing to think about the health or infrastructure that undergirds the freight and industrial transportation systems that satisfy the demands of the 21st century global economy.

In fact, it is truly a compliment to all of us in the supply chain that we have pulled off the most improbable of feats: being both ubiquitous to the world economy and invisible to the world's consumers at the same time.

Unfortunately, COVID has exposed us, and laid bare the impacts of an unprecedented global demand surge that the industry and its port and labor partners could never imagined, envisioned, planned, or anticipated. One of the silver linings may be that the health and performance of the intermodal supply chain will no longer just be a theoretical and unseen concern, as political leaders can no longer take our supply chain's ubiquity, capital and labor, or capacity to absorb regulatory and infrastructure constraints for granted. Where once the intermodal supply chain was viewed as an insatiable well by many policymakers, now constraints and limits exist and the global consumer is demanding that they be addressed.

In that context, it is important for our federal leaders to step up and begin to invest in the infrastructure and policies necessary to truly facilitate future growth, ensure smooth operations of international cargo flows, and assist the supply chain to absorb the costs of future environmental improvements. Specifically, since our west coast ports continue to be the overwhelming gateway for our goods, maybe our nation should start investing in its infrastructure to match its patterns of consumer demand.

First of all, the overall national public funding and policy attention that is paid to facilitating the elimination of congestion, expansion of infrastructure, and reduction of negative freight and industrial transportation externalities has been historically and remains embarrassingly low. The paucity of actual, significant federal freight policy essentially left all of the funding of our freight infrastructure to the private sector to fund in conjunction with state and local government partners. The lack of federal focus was so acute that in 2010 the California Legislature adopted a resolution to ask Congress to adopt a national freight policy and to increase federal investments in freight infrastructure, congestion relief, and air quality.

Obviously, the lack of a national freight policy hurt West Coast trade. Self-help states like California and Washington who were left to bear locally the costs of both facilitating infrastructure investments and reducing negative impacts related to congestion and air quality without the benefit of full federal partnership in trade-supporting investment.

In response to calls like these there has been an increase in focus on trade and freight infrastructure and investment at the national level, but in many respects these new funding streams have actually compounded the lack of focus on how to ensure the success of West Coast ports. As pointed out recently by the Port of Los Angeles, since 2010 federal investment in Pacific coast ports has equaled approximately \$1.2 billion, while federal investment in gulf and Atlantic coast ports have totaled \$10.8 billion. After accounting for great lakes port spending, over 90% of federal investment has gone to Ports not on the West Coast. This is obviously incongruent with the actual cargo volumes being supported by Pacific ports of over 40% of our national container flows.

This is not harmless, rather the federal government's freight investment policies actually undermine our supply chain productivity. Because Pacific ports are essentially funding all of their own overhead, their ability to continue making self-help investments in infrastructure and environmental improvements is sabotaged when the federal government makes capacity enhancing infrastructure at other seaports which are competing with the West Coast for discretionary import cargoes from Asia. It is no coincidence that the West Coast ports' loss of discretionary cargo market share to East and Gulf Coast competitors continued during the past decade when federal investments have skewed heavily towards East and Gulf Coast ports which were expanding their capacity and ability to take this traffic from the Pacific trades.

So while we are seeing marketplace responses to congestion worldwide to short term congestion and capacity constraints, the responses from the federal government should not only be focused on how to help create capacity in our freight transportation system, but how to improve and expand federal investment in our freight transportation system strategically, fairly, and effectively. If the goal is to actually improve throughput and the reliability, resiliency, and durability of the existing system, then that should result in an abandonment of the current approach to trade where 90% of federal funds are effectively spent everywhere except where they would be most useful. It is, without a doubt, time for us to invest our tax money where we as consumers collectively demand it – at the containerized seaports on the West Coast.

And if we don't, the goods won't move by themselves.