



FOR IMMEDIATE RELEASE
June 4, 2020

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West Coast Ports Face “Significant” Continual Decline in Market Share

High Costs, Excessive Regulation, Labor Issues, and Lack of Infrastructure Investment Contributing Factors to Decline

West Coast ports’ market share has declined 19.4 percent since 2006, a concerning trajectory that puts port and logistic jobs at increasing risk, according to a new briefing paper released today by the Pacific Merchant Shipping Association (PMSA).

The analysis, *Loss of Market Share at U.S. West Coast Ports* by international trade economist Jock O’Connell, details the continuous loss of cargo from ports along the Western United States to East Coast and Gulf Coast ports. According to the paper, the West Coast port’s decline in share of cargo caused a diversion of over 668,980 containers to other states and trade gateways in a single year. Compared to 2006, the erosion of market share represents a loss of 5.6 million containers in 2019 alone – an annual volume of containers that alone would constitute the 4th largest port in the nation.

In Washington State, loss of intermodal import cargo threatens the ability of growers and manufacturers to access foreign markets for their products. Because port call costs, including rail, pilotage, the Harbor Maintenance Tax, and others are more competitive in Canada, bringing Market Share back to the Pacific Northwest is a steep hill to climb.

“The continuing loss of market share for West Coast ports, particularly Los Angeles and Long Beach, will cause economic ripples that start at the ports, move across Southern California and then affect the entire state, with the loss of good paying logistics jobs,” said John McLaurin, President of PMSA. “When a cargo owner decides to change a trade route, the port, warehouse, and transportation system all lose business, and it will take a concerted effort to bring that business back.”

The briefing paper identified three factors that caused the decline:

- California has failed to promote in-state ports and support the infrastructure needed to achieve environmental and efficiency goals. The briefing paper states that “there has been relatively little in the way of concrete investment or policy measures aimed at facilitating international goods movement.”
- The “higher cost of doing business in the States of California and Washington” was responsible for the loss of cargo business. In particular, aggressive policies by the California Air Resources

Board were identified as putting California ports at a major competitive disadvantage against ports in other jurisdictions that have taken little or no action.

- Work slowdowns and labor disruptions surrounding contract negotiations have raised concerns that West Coast ports are unreliable. According to the briefing paper, “many of the nation’s largest importers reportedly came to embrace what is vaguely described as a ‘four-corners’ strategy which re-routes cargo from California to other maritime gateways.”

In the last 15 years, West Coast marine terminals have spent billions of dollars to become the most advanced and environmentally friendly ports in the world. But the added cost of state mandates currently under consideration, will cause even more cargo, jobs, and businesses to move to out of state ports.

“To reverse this negative trend, California and Washington State need to reform state policies that drive business to other states,” said McLaurin. “Rather than embracing expensive policies that bring marginal environmental gains, job loss, and business flight, state policy makers need to focus on policies that will restore their leadership role in international trade and preserve high quality logistics jobs

Although the analysis also found the number of containers fell from 37.9% between Q1 2019 to 33.4% in Q1 2020, the author noted that containerized trade during the first quarter of 2020 was severely distorted by the COVID-19 outbreak and inadvisable to draw conclusions.

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About the Pacific Merchant Shipping Association (PMSA)

The Pacific Merchant Shipping Association (PMSA) is an independent, not-for-profit association focused on global trade. PMSA operates offices in Oakland, Long Beach and Seattle, and represents owners and operators of marine terminals and U.S. and foreign vessels operating throughout the world.