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February 2, 2022

Contact: Mike Jacob

MJacob@pmsaship.com

510-387-7403

Statement of PMSA for February 2, 2022 Hearing of Assembly Select Committee on Ports

The Pacific Merchant Shipping Association (PMSA) appreciates the opportunity to testify before the California Legislature to report on the performance of the ocean carriers and marine terminals in the face of a worldwide pandemic, worker shortages, and unprecedented consumer demand.

“We are proud of the fact that in the midst of the global pandemic and faced with unprecedented congestion in the supply chain, our California container ports, marine terminals, and ocean carriers handled record numbers of containers processed in 2021. The essential workers throughout the supply chain, including those at the waterfront, have moved an incredible amount of cargo – both imports and exports,” stated Mike Jacob, PMSA Vice President & General Counsel.

PMSA appreciates the California Legislature’s leadership on supply chain issues and applauds a focus on how to improve California’s global export economy and looks forward to the working with the State to address the underlying causes of supply chain congestion and potential long-term solutions and investments in our state’s trade and freight infrastructure.

Pandemic-induced supply chain congestion is a global problem, manifesting itself in ports around the world and across North America. Prior to COVID, it was unusual for container vessels to wait for berths in the Ports of Los Angeles and Long Beach, Oakland, and Seattle and Tacoma, but the impacts of the pandemic have resulted in changes to our intermodal service levels. The common causes of our current supply chain congestion issues involve continued high consumer demand, worker shortages from variants of the COVID virus, the lack of available space at terminals and warehouses, weather disruptions, and the shortages of equipment on the one hand resulting from the proliferation of empty containers on the other. Each of these factors have at some point during the past two years compounded one another, and further reduced access to terminals, vessels, equipment, and service.

When this congestion results in a terminal which is full of cargo containers – import and export, empty or loaded – it slows vessel loading and unloading time, extending time at berth. When ships stay at berth longer, they are sent further off-schedule and delay ship schedules waiting for a berth. When ships are delayed and off-schedule in North America, they become delayed and congested upon return to Asia and in the meantime, these delays result in cancelled sailings. All of this results in less capacity, longer waits, higher rates, compromised service, less efficiency, and more cost. Each of these in turn, contribute to more short-term supply chain issues.

High consumer demand for goods has impacted all areas of goods movement. E-commerce and retail demand in California and the U.S. is stretching the resources of both domestic supply chains as well as the intermodal international supply chains of ocean carriers and marine terminals. In response to this

unprecedented demand, PMSA members have put more ships into service, moved more containers loaded and empty than ever before, opened extended gates at marine terminals, hired more workers, and secured offsite storage to relieve congestion.

Ocean carriers and marine terminals value their export customers and have been working with California exporters to deliver products throughout the world during the pandemic, while dealing with route disruptions, port congestion, equipment shortages, and unprecedented consumer demand. We recognize that some exporters, particularly agricultural exporters, are experiencing problems in getting some of their products to foreign markets and finding it hard to acquire necessary equipment. In the face of these challenges, U.S. farm exports reached record levels in 2021, but could have been bigger.

The importance of a robust, California-based supply chain has never been clearer. PMSA urges the State Legislature to develop policies that will have a lasting impact on the supply chain. Those policies should include:

- Increasing investment in California's freight and goods movement transportation infrastructure across the board – including at our seaports.
- Provide support to California agricultural exporters in order to help them acquire equipment and transportation services in the face of higher demand and costs.
- Work with ports and local governments in order to find and permit off-terminal staging areas where empty containers can be removed from chassis and temporarily stored in order to relieve congestion and away from the dock to allow ships to be processed faster.
- Provide assistance to cargo owners in expediting the pick-up of cargo at the terminal – which will create more space for imports and exports – and help to rapidly build and secure additional warehouses and distribution center space.
- Advocating for the US West Coast's fair share of federal transportation and freight infrastructure dollars – which have historically been focused away from its largest port complexes in California.
- Developing the energy resources and energy delivery infrastructure necessary to support the environmental improvements of the future that are on the near horizon for freight transportation in general and the maritime transportation system in particular.

PMSA urges the Legislature to avoid policy changes that respond only to problems which are symptomatic of the pandemic and temporal high consumer demand. Changes that make California ports less desirable for imports will create higher costs for importers and exporters, continue to drive away cargo, and reduce our competitive market share. We look forward to working with the Legislature to develop lasting solutions that advance California's import and export business, build infrastructure, create new, 21st Century jobs, and meet state environmental and community goals.

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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.