

ASSEMBLY BILL 2406 (AGUIAR-CURRY) WILL RESULT IN MORE PORT CONGESTION, LONGER DELAYS FOR CONSUMER GOODS

If enacted, **AB 2406** will jeopardize the incredible effort by supply chain workers to reduce congestion in California. The bill limits the ability of all intermodal equipment providers to require the timely return of equipment and undermines agreements between equipment providers and cargo owners. The proposed changes will result in the late return of equipment, increased congestion at ports and warehouses, and slower delivery of goods to California consumers.

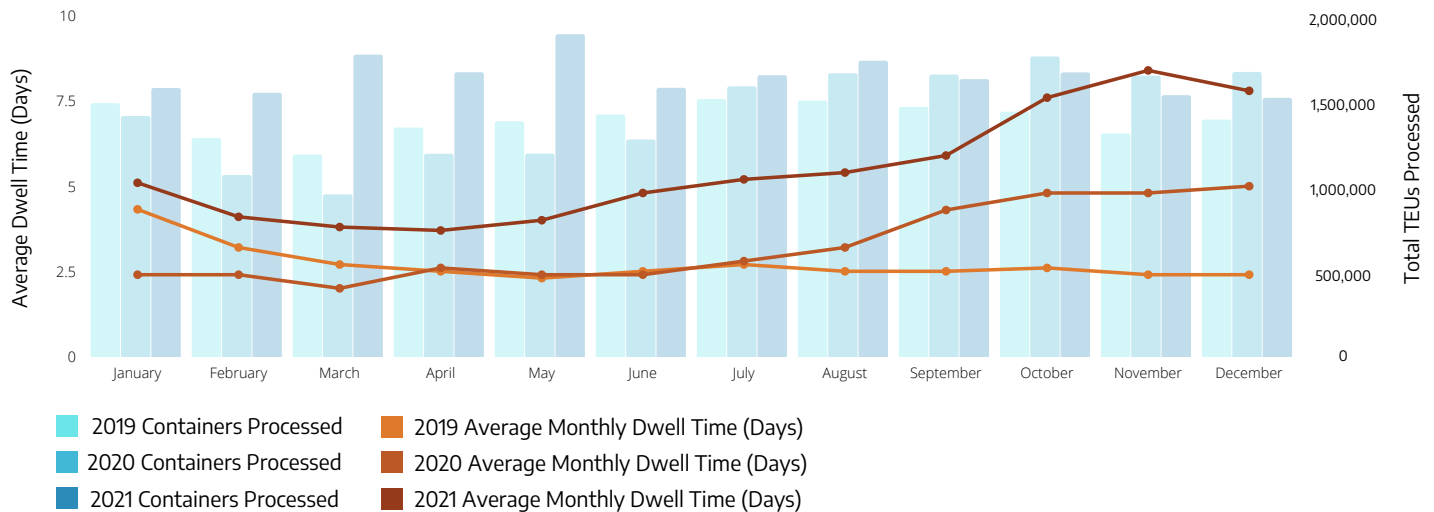
Background:

Impact of Pandemic on Supply Chain. The pandemic did not just impact our national supply chain, it shut down ports throughout the world, sidelined workers in foreign factories and marine terminals, and disrupted transportation networks globally. At the height of the problem, 109 containerships were idling off the California coast waiting to be unloaded at the Ports of Los Angeles and Long Beach.

Cause of Congestion. Amid historic consumer demand and labor shortages, dwell time – the total number of days a container is stored at a marine terminal or not returned to the terminal – reached historic high levels. As a result, the delay in picking up containers increased congestion and made unloading of vessels extremely difficult. Compounding the problem was the failure of some cargo owners to return containers to the terminals which led to a shortage of containers to be used for exports. The shortage was so severe that the federal government called on the ocean carriers to employ “sweeper ships” to pick up empty containers and quickly return them to ports in Asia.

Figure 1: Overlay of Containers Processed at San Pedro Ports / Average Monthly Dwell Time

The figure below charts the year-over-year change in average dwell time and TEU's processed at the San Pedro Bay Port Complex. Consistently throughout the year, 2021 dwell time exceeded 2019 and 2020 figures by a factor of days.



Congestion is easing despite consistent import levels

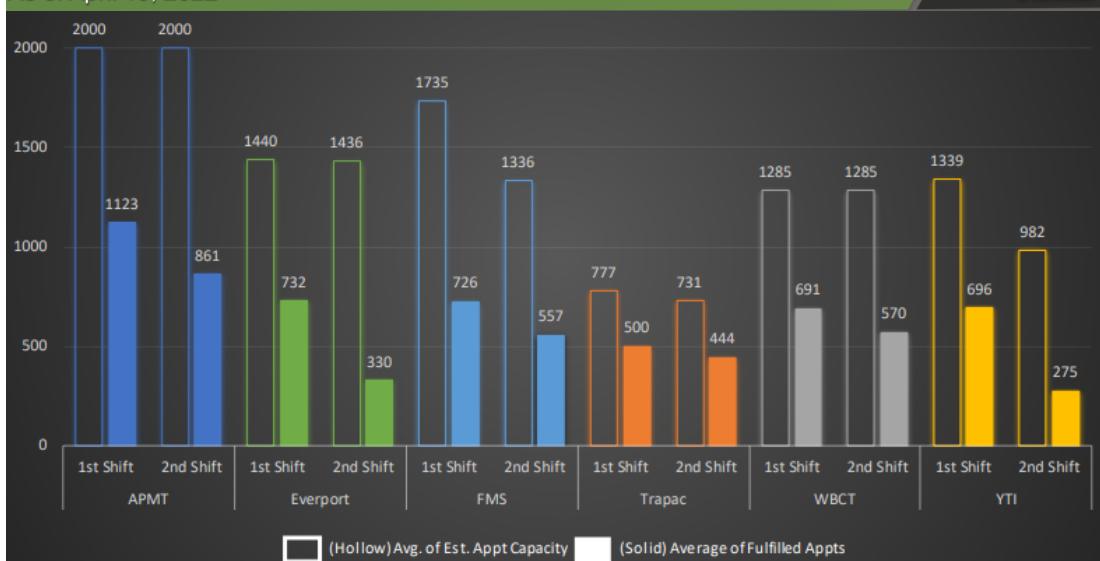
Through the exceptional work of the people that work at ports, trucking companies, railroads, warehouses, and retail locations, California’s ports have reduced congestion from a high of 109 ships in January 2022 to 46 ships in April 2022.

Appointments are available

While cargo remains at terminals beyond the allotted time, there are appointment times available and a significant number of missed appointments.

Fulfilled Truck Gates by Terminal

As of April 19, 2022



Average Appt. Success Rate

All Terminals

47%

APMT
50%

TraPac
63%

ETS
39%

WBCT
50%

FMS
42%

YTI
43%

The above table depicts the proportion of fulfilled trucking appointments at the six major terminals that comprise the Port of Los Angeles (Source: [Port of Los Angeles](#)).

AB 2406 is not needed; the federal government is already acting to resolve any operational issues

Congestion is a national issue. Congress and the Federal Maritime Commission (FMC) are working on solutions that will provide a national solution.

Unintended consequences of the elimination of late fees:

- **Disincentives the pick-up of cargo:** Without pressure to pick up containers, cargo owners will let containers dwell indefinitely.
- **Penalizes good actors:** Creates congestion inside the terminals and delays the pick-up and return of containers for cargo owners that are attempting to expedite their supply chain activities.
- **Delays the delivery of goods to consumers:** If some cargo owners do not pick up their goods, consumers will continue to see delays in the delivery of the goods they have ordered.
- **Impacts the national economy:** Delayed goods will contribute to product shortages and the inflationary pressure that is impacting the national economy.

Practical solutions to ensure supply chain sustainability:

- **Ensure trucking appointments are honored:** Marine terminals report that 40% of trucking appointments were missed. If more appointments are kept, congestion will be eliminated, and consumers will receive their goods on time.
- **Reduce burden on trucking companies:** California regulators are proposing regulations that require costly replacement of trucks, which will cause some trucking companies to close and will contribute to the shortage of trucks and truck drivers.
- **Encourage more warehouse availability:** California regulators are proposing new regulations that will restrict the ability of cargo owners to have their cargo delivered to warehouses. Instead, the state needs to reject those barriers and expedite permitting for the construction of warehouses and other off-port facilities that are critical to the supply chain.