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November 3, 2021

The Honorable Gavin Newsom
Governor, State of California
State Capitol, First Floor
Sacramento, CA 95814

Dear Governor Newsom,

The issues facing our supply chain are daunting and demand intensive public policy initiatives at every level of government. California is home to the most productive system of ports in the nation – including three of our country’s largest container ports and a diverse system of specialty ports. The 11 port authorities that comprise the California Association of Port Authorities (CAPA) are responsible for handling 40% of containerized imports and 30% of all exports in the nation.

In 2020, during the start of the global pandemic, California Ports saw significant decreases in trade with record breaking impacts. But demand rose for medical equipment, along with home improvement items, exercise equipment, and office furniture as consumers endured shelter-in-place orders and worked from home. The surge in cargo made the past two years overall among the busiest years in the history for California Ports – but it has also created an unprecedented challenge for the global supply chain. California Ports are continuing to step up to address the supply chain disruptions.

Recently, CAPA joined the Supply Chain Success Summit, advising the Governor’s Office of Business and Economic Development (GO-Biz), California State Transportation Agency (CalSTA), and other key stakeholders to work on solutions that will address these challenges. Operationally, CAPA member ports have proactively taken steps to alleviate supply chain congestion. These steps include:

- Creating policies that incentivize turn times and dual transactions.
- Implementing best practices to ensure there is better use of current terminal capacity and existing truck gate appointments.
- Coordinating gate activity, providing greater information transparency, and improving cargo velocity for cargo owners.
- Extending gate hours at certain Port terminals where needed, to evaluate its impact on relieving congestion.

- Activating nearby properties surrounding Ports to serve as cargo support facilities to free up equipment.

Nevertheless, the challenges facing our supply chain require additional coordination efforts among private supply chain partners and the state and federal government. Although California Ports did receive access to federal American Rescue Funds in this state budget cycle, the guidelines were limited to a small group of ports for direct pandemic relief and did not focus on any capacity building infrastructure projects which might address freight congestion.

The current congestion that we see is partly a result of decades of underinvestment in our ports and goods movement supply chains. Notably, there is nearly a 11:1 imbalance in federal transportation and waterside spending in port complexes around the country versus those made here in California. Additionally, many states that compete for cargo – along with the jobs and economic vitality – that traditionally has come to California Ports, are creating dedicated and recurring infrastructure funding available for their home ports.

As many of these supply chain issues are global and have overlapping areas of federal jurisdiction, we applaud the recent announcement by our federal and state transportation partners for enhanced collaboration on identifying and supporting key infrastructure projects that can help to speed up the supply chain.

There are also several short, medium, and long-term initiatives and partnerships that we believe can help to advance solutions on this issue:

- **Incentivize Use of All Trade Gateways:** Encourage and incentivize all the supply chain partners to utilize and maximize capacity in all trade gateways. For example, Oakland has experienced a recent reduction in shipping and cargo activity due to global shipping delays.
- **Secure Properties for Container Storage:** Identify and secure state surplus properties for temporary container storage, in addition to loosening restrictions that might hinder use of off-site temporary storage locations.
- **Incentivize Equipment Manufacturers:** Support tariff exemptions for the purchase of foreign-made chassis and create incentives for component parts to increase the supply of critical equipment used in the supply chain.
- **Establish Advisory Group:** Convene a Supply Chain Advisory Group with third party stakeholders and a dedicated point person within state leadership to develop and implement a California Freight Policy that can identify additional levers to ease congestion in times of crisis.
- **Workforce Training Initiatives:** Continue efforts to develop and roll out workforce training initiatives that increase the pipeline for skilled labor and supply chain workforce jobs.

- **Invest in Data Solutions:** Designate funding for the development of data solutions and implementation of pilot projects to create more visibility and transparency in the supply chain.
- **Accelerate Investment in Zero-Emission Drayage Trucks, Heavy-Duty long-haul Zero Emissions trucks and Cargo Handling Equipment:** Establish program that will accelerate the near-term and long-term development and deployment of zero-emission drayage trucks, long-haul Heavy-Duty Zero Emission trucks, and cargo handling equipment.
- **Establish Supply Chain Investment Fund:** Create a supply chain investment fund that can be used to procure equipment like chassis and containers in the short term, and advance critical infrastructure investments in the long term, including investment in new technologies that will increase efficiency within the supply chain.

Thank you for your consideration of these public policy recommendations that will help fix our nation's broken supply chain. We look forward to continuing to work with you as we navigate these challenges.

Sincerely,



Danny Wan
President
California Association of Port Authorities

cc: The Honorable Lena A. Gonzalez, Chair, Senate Select Committee on Ports and Goods Movement
The Honorable Patrick O'Donnell, Chair, Assembly Select Committee on Ports and Goods Movement
The Honorable Toni Atkins, President pro Tempore, California State Senate
The Honorable Anthony Rendon, Speaker, California State Senate
The Honorable Laura Friedman, Chair, Assembly Committee on Transportation
The Honorable David Kim, Secretary, California State Transportation Agency
The Honorable Dee Dee Myers, Senior Advisor to the Governor and Director of the Governor's Office of Business and Economic Development