

November 2, 2021

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

The Honorable Members of the California State Legislature
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Sacramento, CA 95814

Dear Governor Newsom and Members of the California State Legislature:

CalChamber shares the Newsom Administration and the Legislature's concern regarding the increasing port congestion at California's ports, and appreciate the Governor's recent Executive Order and the Legislature's call for an informational hearing on supply chain issues.

California's ports move over 40% of the goods throughout the United States and handle more containers per ship call than any other port complex in the world. Supply chain constraints such as these touch almost every business in our State, driving up costs for business and consumers alike. For example, port congestion has caused the federal government to support increased fees and fines associated with longer-term storage of containers at ports and port facilities, even though companies are scrambling to move these containers as fast as possible. Most experts agree that even with 24/7 operations, ports will continue to see delays resulting primarily from shifts in supply and demand as manufacturing, shipping, and transport continue to grapple with the COVID-19 pandemic worldwide.

CalChamber is pleased to assist the Administration and Legislature with solving this supply chain crisis as soon as possible. Below, we provide a series of practical steps that the State can take to ease congestion in the short, medium, and long term.

Short Term Solutions

Identify and Prioritize Medical and Health Care Supplies

California must continue to fight COVID-19 and keep its hospitals and health care facilities fully supplied. The Administration should work with suppliers and California health care systems to identify and prioritize containers that contain medical supplies and to prioritize related routes. California can work directly with health care distributors to identify delayed containers, ships, and ground transport and provide priority for those goods and services.

Facilitate Maximum Port-to-Rail Routes

The Administration and the Legislature should evaluate all routes that connect to on-dock and near-dock rail services that serve California's ports for weight exemptions and other measures to increase efficiencies. This should include all transfer container facilities and intermodal yards that connect California's ports to the transcontinental rail system that transports cargo across North America.

Ensure that Off-Port Storage is Organized, Secure, and Accurate

The State should continue to work with the federal government and the ports to ensure sufficient tracking and tracing and adequate security at off-site locations during this temporary endeavor, along with a strong and accurate communications system. The State should also evaluate upgrades to IT appointment systems which will help streamline pick up and drop off of containers. These measures will also serve to avoid bad actors taking advantage of short-term solutions and to reduce losses.

Work with Ports and Terminals to Maintain Feasible Extended Gate Hours

Although we appreciate encouragement of adding additional working hours to port operation, this alone will not alleviate port congestion. Increasing predictability of gate hours will provide more time for the trucking community to adjust to extended hours and provide shorter dwell time for drivers. In the short term, the Administration should work with the ports and marine terminal operators to identify terminal gate hours that can feasibly be kept open for at least the next 90 days, including weekend gate hours.

Encourage Local Government Land Use Variances/Permit Streamlining

Once it has identified surplus properties, the State should evaluate barriers to temporary use. We understand that several available properties may require local entitlements or permits, CEQA approval, or land use variances, such as the height variance recently approved by the City of Long Beach. The State should identify policy and/or financial mechanisms to encourage streamlining of entitlements or permits and remove unnecessary land use restrictions for this temporary use.

The Administration could also consider setting timelines for use of each property depending upon proximity to the ports and/or priority routes. This is likely to be a multi-year supply chain crunch, which will interfere with the normal business operations and planning for facilities in California and elsewhere. Identifying which properties are targeted for staging and the length of time for each category will be helpful in allowing companies to plan for the medium- and long-term.

Medium Term Solutions

Set a Timeline for Identification and Training of Additional Drivers

Although the Executive Order requires the California Department of Labor and Workforce Development Agency to identify partnerships, that instruction is open-ended. The Administration should set dates for interim milestones for identifying and tracking driver-shortage issues. In addition, California could look at temporarily encouraging/allowing out-of-state trucks to assist at the ports, while continuing to provide incentives for in-state hiring.

Accelerate Regulatory Approval for Testing and Deployment of Autonomous Commercial Trucking

California's program for on-road testing of autonomous passenger vehicles has been underway for many years, with the State beginning consideration of regulations in 2013. California has learned from these testing and deployment permits and can apply those same ideas to the commercial sector. California is facing a major driver shortage that pre-existed and was

exacerbated by COVID-19. Estimates suggest shortages of 30,000 to as high as 80,000 are needed to address supply chain demand. As the federal government pushes toward 24/7 port operations, California's driver shortage remains a primary hurdle to alleviating this backlog. Autonomous trucks have the potential to be a safe and efficient mechanism to complement the Administration's actions to date.

Consistent with Paragraph 7 of the Executive Order, the Newsom Administration should direct the Department of Motor Vehicles to accelerate rulemaking for testing and deployment of commercial autonomous vehicles. Autonomous trucking, when combined with California's existing workforce, can assist with alleviating backups at the ports, can run 24/7, and have the potential to be a safer and more efficient means of transport of goods. Most autonomous vehicle technology is fuel-agnostic and can be deployed now and into the future as truck fleets turn over into lower and zero emission vehicles, assisting in reducing air quality concerns at and around California's ports while at the same time increasing efficiency and safety.

Evaluate Supply Chain Issues in Critical Sectors

The Administration should continue to work with stakeholders to evaluate choke points in the supply chain, in addition to issues inherent to port congestion. Costs, interstate travel, and ensuring consistency across transportation sectors may also be a factor in supply chain delays. For example, agricultural goods represent some of the largest share of exports. On-time export of food is integral to keeping costs down in California as well as ensuring California remains a leader in the agricultural sector. In addition, the State should evaluate investments in water-side infrastructure capacity and chokepoints, including evaluating funding support for dredging, navigational infrastructure, and pilotage system overhead, which other ports in the US have implemented in recent years.

Long Term Solutions

Align Electrification Timelines with Automation Upgrades

Despite their status as some of the largest ports in the world, recent evaluations rank California's ports amongst the lowest in the world based on time at berth.¹ Although the California ports are attempting to operate efficiently with the tools they have at hand, significant infrastructure investments will be necessary to continue to achieve efficiencies on par with world leading ports, in addition to east coast and southern ports in the United States.

Ports around the world have automated, providing both cost and emissions savings. Here in California, smaller terminals and ports have automated, and we are aware of no significant impact on union jobs. Instead, automation provides efficiencies necessary to advance supply chain advancements and generate additional funds for much needed 21st century infrastructure improvements to put California's efficiencies back on par with worldwide leaders.

California is moving forward with aggressive timelines for the electrification of ports, including a draft regulation requiring all new registrations of drayage trucks be zero emission starting just over a year from now in 2023. As laid out in California's Sustainable Freight Action Plan (2016), this will necessitate significant upgrades of port and port-adjacent structures at a significant near-term cost. If California is going to require these short-term investments for emissions reduction, it should align

¹ World Bank Group and IHS Markit's [Container Port Performance Index 2020](#) ranks LA as 328 out of 351 ports, and Long Beach at 333.

that timeline with other major infrastructure improvements, including allowing the use of state funds to fund automation of cargo handling equipment, docking mechanisms, and other applications as appropriate. Automation to increase efficiencies can proceed on a parallel track with emissions reductions strategies, reducing downtime and driving down overall costs that will both improve emissions and increase efficiency by use of automation.²

Increase Mobility Through Priority Routes

CalChamber appreciates the effort by the Administration to identify and lift weight restrictions in the short-term for priority routes. Once identified, California should immediately and aggressively identify and propose projects to address freight bottlenecks within these priority freight routes. Bottlenecks that create inefficiencies result in congestion and delay for both commercial and personal vehicles using the highways in those trade corridors and excess air emissions. The State already identified numerous priority freight routes through its latest update of the California Freight Mobility Plan. The State can build upon this work and that already performed by local metropolitan transportation organizations through their Regional Transportation Plans including identification of priority bottlenecks.

Conclusion

CalChamber appreciates the opportunity to work with the Administration and the Legislature on this issue important to all Californians. Please feel free to reach out with any questions.

Sincerely,



Leah Silverthorn, Senior Policy Advocate
California Chamber of Commerce

cc: Ana Matosantos, Cabinet Secretary, Office of the Governor
Dee Dee Myers, Director, Governor's Office of Business and Economic Development
David Kim, Secretary, California State Transportation Agency

² Early research at the [Port of Helsinki](#), for example, has automated mooring systems estimated to have reduced vessel fuel consumption by up to 2,800 tons every year, the equivalent of taking as much as 5,000 diesel vehicles off the road at a single port.