Solving Supply Chain Congestion: Focus on Comprehensive, Lasting Solutions

By John McLaurin, President, Pacific Merchant Shipping Association

Consumers in California and throughout the country are wondering why they can't get their refrigerator or sofa on time.

The simple answer is that they, like many other consumers during the pandemic were unable to spend money on concerts, sporting events or vacations and instead began ordering more products online. In fact, consumers did so much purchasing that California's public ports and ports throughout the US set all-time cargo volume records.

The tsunami of cargo has now lasted for more than 18 months, causing congestion throughout the supply chain. The people that work in the supply chain have struggled to process the massive increase in container traffic as there is only so much space at terminals and warehouses, and a limited number of trucks, rail cars, chassis and containers. The volume of cargo that remains in the system will take some time to be delivered.

However, there are some lessons learned from this experience that need to be acknowledged and addressed.

First, despite being touted by some, simply keeping a marine terminal open 24 hours a day, seven days a week will not relieve congestion. Marine terminals that opened late gates over the past year, saw very little traffic and terminal cameras often showed empty gates with no trucks coming or going. Addressing only one component of the supply chain without the cooperation and involvement of all others is not a path to success. The congestion highlighted the lack of warehouse and off dock storage space needed to process cargo during surges.

Second, implementing contradictory state policies will only create more congestion problems and impact the competitiveness of California's port gateways. The state's climate and environmental policies are mandating that marine terminals at the ports convert to zero emission technology which is currently only feasible if that machinery is automated. At the same time, the state is paying over $100 million to train the supply chain "workforce of tomorrow" in order to keep California's ports and products competitive, while the Biden Administration has called for the replacement of "our grandfather's infrastructure." Automated zero-emission equipment, agreed to in three consecutive collective labor bargaining agreements in which workers are guaranteed wages and benefits until they die even if displaced, is a model for other industries.

However, the state has consistently prohibited the use of state funds to support the use of automated technology at the ports. If we are to train the "workforce of tomorrow let's not force them to use our grandfather's infrastructure.

Third, California has a conflicting approach to port trucking. While the state is pushing the supply chain to clear out the ports by sending as many trucks as possible to

warehouses, railyards and ports to make room for more containers, environmental policies are being developed and enacted that will reduce the number of trucks. Other governmental proposals will limit the number of trucks by allowing ONLY electric vehicles which are not currently commercially viable nor have the supporting charging infrastructure needed throughout the state.

If California is serious about improving the supply chain, the state needs to avoid short-term, politically popular changes that will increase congestion and instead concentrate on long-term solutions that will upgrade the supply chain, improve environmental conditions, and provide new logistic jobs that will last for decades. Here are some fundamental changes to consider:

- **Secure CA warehouse space.** Work with logistics companies and retail to expand warehouse capacity in California for the loading and unloading of containers.
- **Greater efficiency at marine terminals.** Embrace zero emission automated technology
- **New 21st century jobs.** Replacing our "grandfather's infrastructure" will also result in new jobs to operate state of the art machinery and transportation. California should prioritize supply chain retraining in the programs that are being developed for the state's educational institutions.
- **More trucks and truck drivers.** Federal and state governments should provide assistance to trucking companies, large and small, to pay for the cost of transitioning their trucks to low or zero emission vehicles.
- **Build electric infrastructure.** California needs to upgrade port infrastructure to make sure there is sufficient capacity to operate ships at dock, terminals equipment, and trucks all using electric power – and to ensure that the state power grid can provide reliable service, avoiding the ever-increasing number of power outages.

The current COVID induced congestion has exposed deep flaws in coordination, modernization, and infrastructure within the supply chain. The question is not whether gridlock will occur again, but when. Let's work together to make real changes to the supply chain that last for decades and make California the high tech, automated, zero emission model for the rest of the world.

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