



Statement of

Frank Ponce De Leon
Coast Committeeman
International Longshore & Warehouse Union
Coast Longshore Division

Before the
House Subcommittee on the Coast Guard and Maritime Transportation

On

**“Impacts of Shipping Container Shortages, Delays, and Increased Demand on the North
American Supply Chain.”**

June 15, 2021

Chairman Carbajal, Ranking Member Gibbs, and Members of the Subcommittee, thank you for the invitation to testify today. I am Frank Ponce De Leon, and I am a Coast Committeeman serving on the highest executive body within the International Longshore and Warehouse Union's (ILWU) Coast Longshore Division (ILWU Coast Longshore Division).

I began my career as a longshore worker at the Ports of Los Angeles and Long Beach in 1982. Three generations of my family have worked at these southern California ports, which combined are America's largest port complex. In my almost 40 years on the waterfront I have worked in nearly every position possible on the docks, capping my career as a highly skilled operator of Hammerhead Cranes, the massive ship-to-shore cranes that are the iconic structures within every major container port in the world.

I am speaking today on behalf of the more than 22,000 men and women who are represented by the ILWU Coast Longshore Division. Our union represents the hardworking longshore workers, marine clerks, foremen/walking bosses and casuals at all 29 West Coast ports. The ILWU also represents thousands more working in warehouses further within our freight supply chain. The cargo we move off of ships on the Pacific Coast ultimately arrives in every Congressional District in the United States.

The ILWU Coast Longshore Division shares the Subcommittee's concerns about congestion and related issues caused by declining investment in both infrastructure and the American

workers who have made our ports and our supply chain the most productive in the Western Hemisphere. This hearing is a timely reminder of the consequences of neglecting to hire and train the skilled workers that make our economy globally competitive. Make no mistake, the shortage of containers and delays in goods movement are a direct result of rent seeking by the foreign conglomerates who lease the vast majority of America's marine terminals, terminals that are in fact mostly publicly owned. They have consistently prioritized their own, short-term profits over the domestic benefits of operational efficiency and the greater good of benefitting America's economy. I do not question their right to pursue profits, but they are making those profits by operating in public ports, built and dredged with local, state and federal taxpayer funds. They operate along roads, canals and rail spurs built by American taxpayers. We believe that we have a responsibility to ensure that our national freight supply chain is used to benefit all Americans including the port workers the ILWU Coast Longshore Division represents.

There are solutions to the challenges our ports and our port customers are facing. If we fail to act now we will unquestionably face a continuing decline in the resiliency of our supply system and increasing delays and bottlenecks. Here are some examples:

Chassis – The ILWU Coast Longshore Division supports restoring the handling of chassis to the practices used on the West Coast prior to 2015. Under that long established system, the chassis required to move containers by truck and rail into and out of ports remained on the waterfront and were maintained and readily available on the waterfront. That meant

chassis inventories were efficiently managed and quick to locate and repair. In 2015, the terminal operators divested from the ownership and repair of chassis to third parties. Since that time, we have regular chassis shortages and a backlog of out of service equipment. No chassis mean trucks cannot pick up the containers that are stacked in our ports. Separate ownership of chassis also means truckers must often make separate stops to pick up and return the required chassis, significantly slowing the movement of containers. In fact, we currently have a terminal at the Port of Los Angeles operating under the old model that is charging shippers a premium for this “expedited” service. We believe federal policy should press at a minimum for a return of chassis repair and pickup to the waterfront as soon as possible.

Labor – One of the ILWU Coast Longshore Division’s primary roles is to provide the workers as requested by the employer to move goods. The number of workers called to work is 100 percent determined by the terminal operators that lease our port properties. Crew size is determined by these largely foreign-based operators, who try to complete the work at the lowest possible cost. We frequently see scenarios in which calling larger crews, or additional workers in key positions, would substantially increase the number of moves a crew can make. When lower operational costs are more important than overall productivity, congestion increases and the larger economy suffers.

Night and weekend gates – The ILWU Coast Longshore Division supports expanding the times for night and weekend gates. Our workers welcome the additional work, and opening

the ports around the clock would go a long way to easing the congestion and keep cargo flowing. Expanding gate times, however, is not our decision. We also note that simply expanding gate hours will have no benefit if the next points out into the supply chain are closed for the night or weekend. Night and weekend gates work best when they are part of a coordinated effort to move goods.

Expand the workforce – Steady growth in cargo volumes would be expected to be matched by expanding the longshore workforce. This has not been the case on the West Coast. Terminal operators have resisted adding new members to the permanent (or registered) longshore workforce to keep pace with ever-growing cargo volumes. Instead they have relied increasingly on temporary workers, known as casuals, who make lower wages and do not qualify for benefits. These more junior workers can spend years working at a port and still not be a registered worker. This disincentive prevents us from growing and training for the longer term the experienced longshore workers needed to remain competitive.

Invest in training – Terminal operators have systemically underinvested in training the longshore workforce. Even our employers association has acknowledged that there is now a shortage of higher-skilled workers. That is because the employers have continually made the decision to not hire, train and order sufficient numbers of workers. To effectively meet the demands of the pandemic and other fluctuations in the industry, the ILWU Coast Longshore Division believes that the training and staffing should increase to meet the peaks, not the valleys. We welcome the long overdue hiring of over 3,000 new workers at the

Ports of Los Angeles and Long Beach over the past year. Roughly 90 percent of the new hires, however, were casuals who can only perform basic functions such as the lashing of containers on vessels and driving yard tractors. They cannot operate cranes, top handlers, side picks, and other container handling equipment because they lack the hours of experience to first earn their registration status, and only then do they begin the weeks-long process to train to operate complex equipment.

Review demurrage and detention rules – Demurrage and detention rules were established to encourage timely removal and return of containers. In recent years it has increasingly become a profit center for carriers and terminal operators. Carriers have increased their fees annually even during the pandemic. Larger volume shippers can often avoid the fees due to preference handling provisions in their contracts that grant priority movement of that shipper's containers. This premium service is yet another profit center for carriers, but also complicates and slows the overall processing of cargo. The ILWU Coast Longshore Division believes Congress needs to equip the Federal Maritime Commission with sufficient resources and authorities to effectively referee the demurrage playing field. Action is required to restore a priority for efficient movement of goods through America's ports.

Automation – Automation has downsides that can disrupt the national supply chain and hurt our economy: Human-powered ports cannot be hacked like automated infrastructure can. Longshore workers move cargo with record-breaking results, we support our communities

and pay U.S. taxes. Automation primarily benefits the Asian and European terminal operators that lease our public port terminals.

Automation myths – Finally, we are seeing increasing calls for automation of maritime terminals and also for government subsidies for automation. Advocates for automation are trying to sell a fantasy that automation can solve congestion. We do not have to debate whether that statement is true. We already know it is wrong based on the track record of automated terminals around the world. In December 2018, the global consulting firm McKinsey studied the performance of the world’s leading automated terminals. The report McKinsey prepared was designed to promote automation projects. Despite that pro-automation bias, the report concludes that automated port terminals are on average seven to 15 percent less efficient. The report acknowledges that many industry stakeholders who have worked with automated technology – including the ILWU Coast Longshore Division – actually believe the drop in efficiency is between 30 and 50 percent. Automation is not only slow, but it also lacks the flexibility to respond to surges in cargo like we are currently experiencing. It is far more expensive to build and equip than modern manned facilities, and all of the automated equipment on the market is foreign manufactured.

Promoters of automation in fact have one goal, to cut labor costs. These same advocates are clamoring for taxpayers’ subsidies because without them the high capital costs for automation projects makes them bad investments. The ILWU Coast Longshore Division strongly opposes these frankly stupid proposals to use American taxpayer dollars to gift a

subsidy to foreign conglomerates to buy foreign built automated equipment in order to lay off American workers at publicly owned and funded ports that also results in making those very same American ports dramatically less efficient.

I thank the Subcommittee and its members for giving me this opportunity to testify today, and I would be happy to answer any questions that you may have for me.