



WRITTEN TESTIMONY

OF

EUGENE D. SEROKA

EXECUTIVE DIRECTOR

PORT OF LOS ANGELES

ON

**“IMPACTS OF SHIPPING CONTAINER SHORTAGES, DELAYS, AND INCREASED DEMAND ON THE
NORTH AMERICAN SUPPLY CHAIN”**

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

JUNE 15, 2021

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House T&I, Subcommittee on Coast Guard and Maritime Transportation

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Introduction

Good morning Chairman DeFazio, Chairman Carbajal, Ranking Member Graves, Ranking Member Gibbs, Members of the House Subcommittee on Coast Guard and Maritime Transportation, and other distinguished Members of Congress. Thank you for the invitation to participate in this important hearing.

I am Eugene D. Seroka, Executive Director at the Port of Los Angeles. I concurrently serve as President of the California Association of Port Authorities and as a Board member of the American Association of Port Authorities. In addition to spending the last seven years at the Port of Los Angeles, I have more than 33 years of experience in the maritime shipping industry, both in the United States and abroad. Our industry is very much a relationship-based business and, throughout my career, I have been privileged to engage with every link of our global supply chain.

I greatly appreciate the purpose of today's hearing because I believe a well-functioning supply chain is in the national interest. When our supply chains work well, they operate largely unnoticed, delivering essential goods, creating jobs, and driving economic growth and prosperity across the nation. However, congestion at major trade gateways around the world, and high-profile incidents, such as the grounding of the Ever Given in the Suez Canal, have drawn public attention to widespread supply chain disruptions and their impact on American consumers and businesses.

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Today, I hope to share some observations from our unique vantage point and suggest some courses of action that can position the United States to reassert leadership and convert its supply chains into a competitive advantage.

[The Port of Los Angeles](#)

The Port of Los Angeles is the busiest container port in the nation. In 2020, the Port handled 9.2 million twenty-foot equivalent units (TEUs, the standard measure of container cargo). For the 12-month period ending this month, we will have moved over 10 million TEUs – a record amount for a Western Hemisphere port. The operational scale of the Port of Los Angeles is immense: 27 terminals, 270 berths, roughly 200,000 unique shippers, 1,654 annual ship calls, 100 daily trains, and 60,000 daily truck moves. We also operate cruise, liquid bulk, and automobile business lines, however container cargo is the largest share of our business.

Together with our neighboring port in Long Beach, we comprise the San Pedro Bay Port Complex, which handles nearly 40 percent of all containerized imports and 30 percent of all containerized exports for the United States. Cargo through this complex flows to and from 160 countries across the globe and reaches every Congressional district across the nation. In fact, only one-third of the cargo handled at the Port is consumed within the LA region, while fully two-thirds of our cargo is destined for the national market. As a result, changes in consumer behavior, trading patterns, and manufacturing supply chains show up in our volumes.

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An Unprecedented Consumption Surge

In order to contain the spread of the novel coronavirus, the Chinese central government shut down manufacturing in early 2020. As the virus spread to the United States, emergency stay-at-home orders effectively shut down large parts of the economy. The resultant effect of these non-pharmaceutical interventions was a huge drop in cargo volumes – an 18.5 percent decrease year-over-year (May 2019 to May 2020). At this time, our terminals saw very little activity and we observed a large number of cancelled sailings.

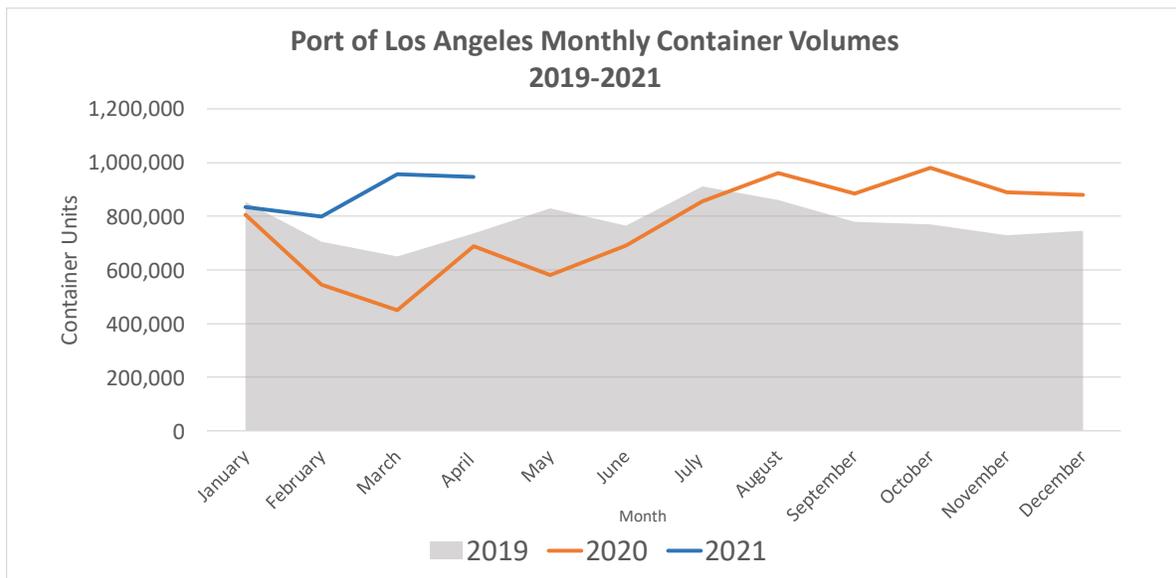
As goods consumption resumed, businesses first worked down inventories that were well-stocked with goods forwarded in advance of tariff milestones imposed between August and December 2019. By the middle of 2020, personal consumption expenditure shifted away from services and into goods consumption. This was further fueled by federal stimulus checks. Online purchases doubled over 11 months as quarantined shoppers acquired everything from exercise equipment to athleisure wear to new furniture. By August, cargo volumes began to surge as businesses began to replenish inventories.

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Dating back to July 2020, the Port has experienced an average monthly container volume of 900,000 TEUs. Comparing the first four months of 2021 to previous years, they are 42 percent higher than 2020 volumes and 20 percent above 2019 volumes. In cargo value, overall trade in the first quarter rose more than 25 percent year over year, from \$56.3 billion in Q1 of 2020, to \$70.6 billion this year. This pandemic-induced surge is the main reason we have pierced the 10 million TEU mark for a single year.

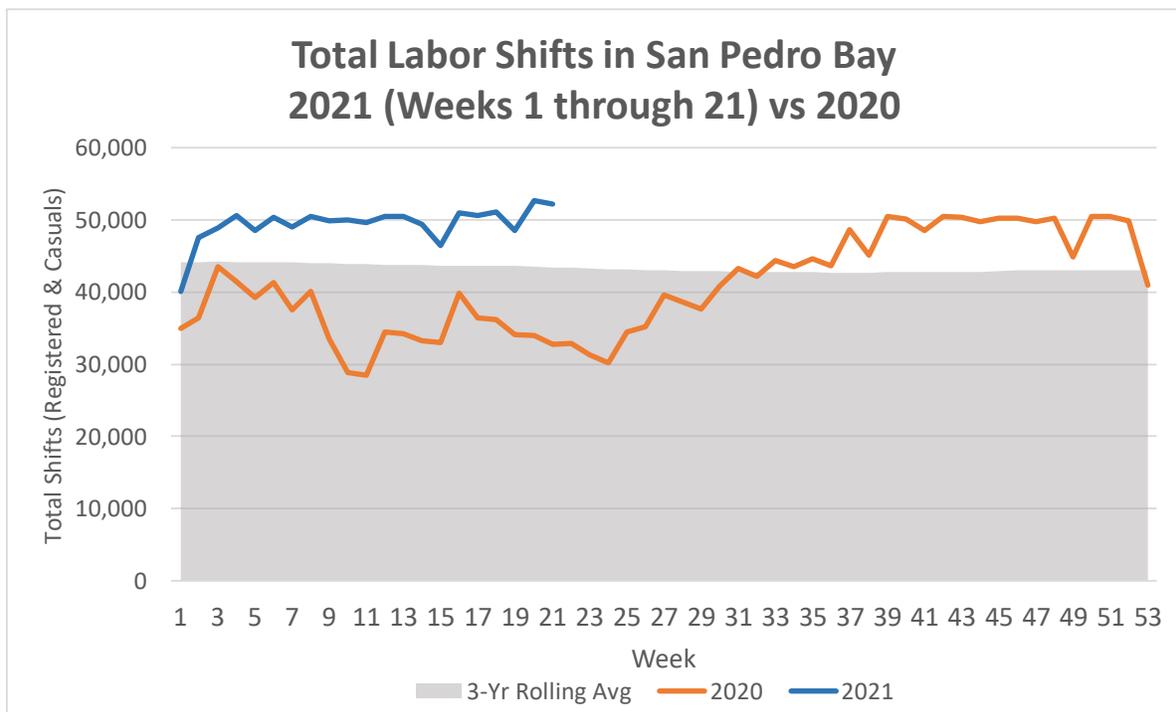
Handling this amount of cargo is, by any measure, an amazing accomplishment for our terminal operators as well as our longshore women and men. Productivity at the Port has never been higher. Before the pandemic, we averaged 10 ships a day; during this surge, we have averaged 16 to 17 ships a day. Our longshore workforce has been averaging 50,000 work shifts a week, well above the 3-year average, even amidst the pandemic.

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Supply Chain Impacts

The surge in volumes has placed strain on the system:

- **Warehouses:** Despite nearly 2 billion square feet of warehouses in our region, these facilities filled up and resorted to using containers as temporary storage. The amount of time it takes for a container and chassis to cycle back to the Port – what we call “street dwell” – went from an average of 3 days to 7 days.
- **Marine Terminals:** Shippers need to continue to pick up their boxes here at the Port, as the terminals continue to fill up with containers. The duration of time a container remains in a terminal before it is moved, is currently 4 days, a decrease from five days previously

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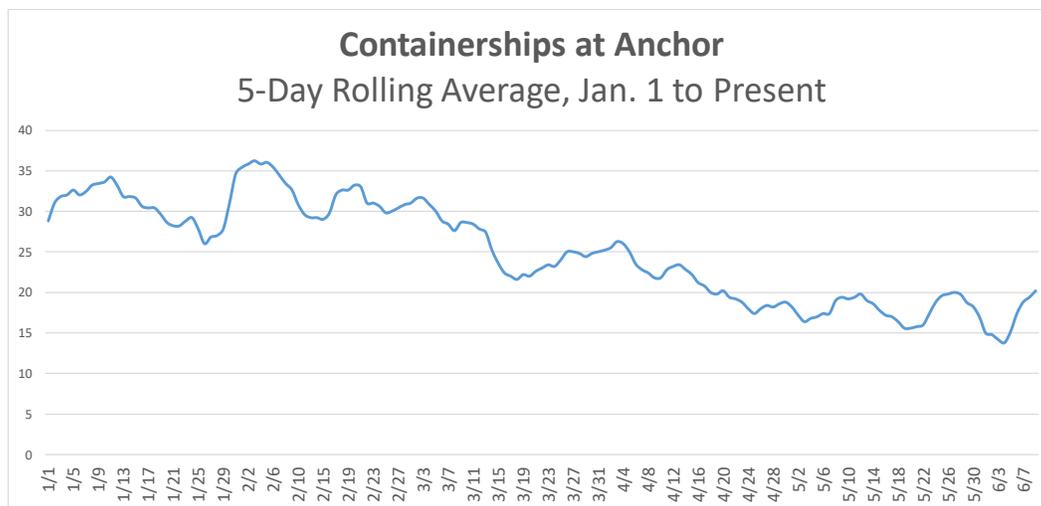
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recorded, and 4 days pre-pandemic. Marine terminal utilization remains elevated with terminal tarmacs 95% utilized (80% is considered “full”).

- **Turn Times:** When terminal tarmacs are stacked with containers, it takes longer for trucks to pick up the boxes, so “truck turn times” increase. Ships also take longer to process, causing incoming ships to be directed to anchor.
- **Ships at Anchor:** Typically, ships arrive and are assigned a berth for unloading and loading of cargo; however, in a congestion scenario, ships are directed to anchor off the coast of California. At peak, we had 40 ships at anchor, waiting an average of nearly 8 days. Today, through a lot of hard work, we are hovering around 20 ships, waiting an average of 5 days.



- **Rail:** To further compound the situation, the Arctic Blast that hit much of the country earlier this year caused a shortage of rail cars. The time that containers sit, waiting to be loaded on

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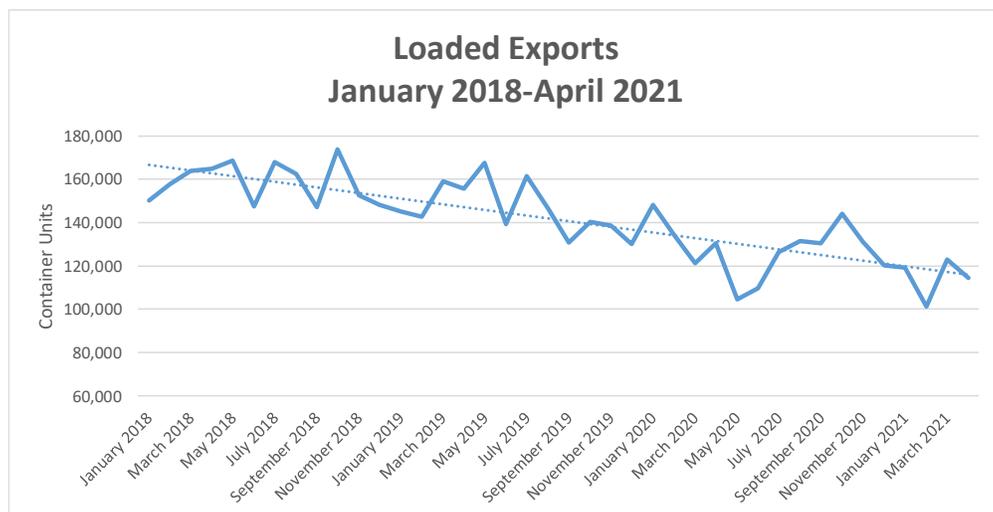
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to a train – what we call “rail dwell time” – increased from 2 to 8.6 days. At peak, rail dwell was at 11.6 days in March.

In this kind of environment, shippers experience tremendous hardship, which has exacerbated an already challenging situation. Our export community, for example, has already been by the onset of tariffs and retaliatory tariffs in 2018.



Moving Forward

I would emphasize three points in support of supply chain competitiveness:

Development of Policy Alignment: First, the supply chain disruptions we see are a global phenomenon, driven by the surge in consumer demand for goods. However, an effort to align policies and programs toward competitiveness of the nation’s supply chains is a worthwhile

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effort. Clearly, a well-functioning supply chain is in the national interest, but effective federal support to improve the performance of our supply chains must be developed with a solutions-oriented approach and with representation from relevant federal agencies and supply chain stakeholders, including cargo owners (import and export), port authorities, liner carriers, marine terminals, trucking, railroads, warehouses, and customs brokers and freight forwarders.

Importance of Information Sharing: Second, our freight system requires robust freight infrastructure investment, and importantly, this investment should include accelerated and integrated digitalization of the supply chain. For example, port community systems – which are already in use in the advanced economies of Asia and Europe – should be used in our major gateway ports, and these systems should be interconnected. Such integrated digital platforms can equip cargo owners and service providers with the information they need to optimize their supply chains and enhance resilience to future supply chain disruption.

In 2020, the Port of Los Angeles used its port community system, the Port Optimizer, to share real-time information on incoming cargo volumes (the Signal), equipment return (the Return Signal), and overall port performance (the Control Tower).

National, Sector-Based Supply Chain Strategy: Third, we must revisit a national strategy that targets infrastructure investment and supply chain performance to key industrial sectors of our economy. Such a strategy should focus on exports of American products, but also on

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procurement of essential goods for American businesses and consumers. For example, we must reverse the impact that retaliatory tariffs have had on our agricultural exporters.

We must enhance their connectivity to major trade gateways through infrastructure investment and leverage digital solutions that make it easier for them to marshal the equipment necessary to reach foreign markets. At present, the Port of Los Angeles is working with stakeholders in California's Central Valley to improve connectivity to our trade gateway and enhance the competitiveness of the California agricultural community. Such a model can be replicated at the national level.

Thank you for your consideration.