



California Supply Chain **SUCCESS** Initiative

#systemofsystems

A Summary Report



Letter from Dee Dee Myers



Dee Dee Myers

Led by the joint effort of the California Governor's Office of Business and Economic Development (GO-Biz), the California State Transportation Agency (CalSTA), the Port of Long Beach (PoLB), the Port of Oakland, the California Department of Food and Agriculture, and the Center for International Trade and Transportation (CITT) at California State University, Long Beach (CSULB), the California Supply Chain SUCCESS Initiative has engaged a diverse spectrum of stakeholders to address California's most critical supply chain problems. The collaboration brought together participants from various sectors of the supply chain and government to identify critical issues and build consensus on practical, near-term solutions that lead to long-term, sustained progress.

During the COVID-19 pandemic, stakeholders across the global supply chain faced unprecedented challenges - so much so that "supply chain" became a household term. Supply chain and logistics challenges acutely impact California in particular, where the ports in Los Angeles, Long Beach and Oakland serve as crucial gateways that connect markets in East Asia to the U.S. and beyond. California hosts the top two container ports in the nation, the Ports of Los Angeles and Long Beach, in annual throughput, as well as extensive rail and highway infrastructure that connects those ports to distribution facilities and retailers across the country. Maintaining this leadership role means responding to, if not leading, global trade trends as well as addressing shifts in trade patterns, such as consumer demand, that could impact where and how trade occurs.

Considering the unprecedented degree of visibility, governmental bodies on the local, state, and federal level are more willing than ever to collaborate with industry stakeholders to ensure greater system efficiency and resiliency. Although many might see the supply chain only when there are disruptions, solutions should aim to continuously add value to the supply chain even in a post-pandemic world. This rings particularly true in California where Governor Newsom issued an executive order to address disruptions and where the Governor's Office of Business and Economic Development continues to take substantive measures to initiate dialogue with stakeholders.

One of the outcomes of the SUCCESS Initiative discussions held in the Fall of 2021 at the Port of Long Beach was understanding the need to examine how the supply chain challenges impacted individual sectors of our State's economy. As a result, we convened an agricultural supply chain working group at the Port of Oakland in late 2021. Both of the meetings brought about a set of priority action items that expected to relieve some of the ongoing pressure points and bottlenecks, allowing both imports and exports to flow more predictably, and set the stage for long-term changes in how we move goods.

This report presents findings from the key components of the Initiative's work. It is only a start; but the level of commitment already demonstrated by industry and the State to work together to address supply chain challenges head on points to a future where collaboration, cooperation and creative thinking secure California's place at the forefront of global trade to the benefit of all of the people of our great State.

Sincerely,

A handwritten signature in black ink that reads "Dee Dee Myers". The signature is fluid and cursive.

Dee Dee Myers
Senior Advisor and Director
GO-Biz

CALIFORNIA TRANSPORTATION SNAPSHOT

11 MAJOR PORTS
 290 MILES OF WATERWAY
 252 STATE HIGHWAYS
 4,828 MILES OF FREIGHT RAILWAY
 175,589 MILES OF PUBLIC ROAD

PORT OF LOS ANGELES
 #1 NATIONAL RANK
 #17 INTERNATIONAL RANK
PORT OF LONG BEACH
 #2 NATIONAL RANK
 #22 INTERNATIONAL RANK
PORT OF OAKLAND
 #8 NATIONAL RANK
 #79 INTERNATIONAL RANK

CALIFORNIA AND GLOBAL TRADE BY THE NUMBERS



ANNUAL CONTAINER TRADE IN TEUs

a 2000-2020 comparison

PORT OF LOS ANGELES

2021 - 10,677,610 TEU
 2000 - 4,879,428 TEU

PORT OF LONG BEACH

2021 - 4,753,828 TEU
 2000 - 4,600,652 TEU

PORT OF OAKLAND

2021 - 2,448,243 TEU
 2000 - 1,776,922 TEU



AIR CARGO BY TONS

2021 - 2,974,073 TEU
 2000 - 3,198,484 TEU

Out of the 30 major state airports, LAX has handled the most cargo, over 21 million tons since 2010, or around 2 million tons each year.

\$2.8 TRILLION
 TONS OF FREIGHT FLOW VALUE

735.9 BILLION
 TON-MILES OF FREIGHT FLOW

GETTING BIGGER Since 2000, the average size of global vessels has increased, container ships have **quadrupled**, cargo ships have **tripled**, and bulk carriers have **doubled** in size.



\$24.1 BILLION

CALIFORNIA'S LARGEST EXPORT MARKET IS MEXICO.
 VALUE OF EXPORTS TOTALED IN 2020.



\$15.9 BILLION

CALIFORNIA'S THIRD LARGEST EXPORT MARKET IS CANADA.
 VALUE OF EXPORTS TOTALED IN 2020.

California Supply Chain **SUCCESS** Initiative

The California Supply Chain **SUCCESS** Initiative is driven by a series of key questions:

1. What can we as supply chain stakeholders do better in order to add value to the supply chain?
2. What does supply chain success look like?
3. What obstacles are preventing us from getting there?
4. What are the risks of doing nothing?
5. What is the appropriate role for government?



Stakeholders across the global supply chain continue to face unprecedented challenges as a result of the COVID-19 global pandemic. Supply chain shocks, starting with runs on toilet paper and other taken-for-granted household goods, have educated mainstream America about what was until very recently considered the invisible mode of transportation: the freight systems that move essential goods throughout the world. Most industry stakeholders would agree that the invisible mode has suddenly become hyper visible.

But the pandemic is not the sole reason that supply chains are under duress. It merely accelerated and exacerbated trends well underway. Rising consumer demand in the U.S. - particularly for goods delivered by e-commerce - is fed by a global network of manufacturers, cargo handlers, transporters, and distributors. A broken link in the chain affects all the others. Increasing demand for goods means increasing demand for the containers in which the goods are transported. This in turns creates additional demand for the chassis, trucks and rail cars that carry the

Disruptions can also occur as a result of operational inefficiencies and regulatory pressures that can encourage cargo to follow a path of “least resistance,” whether for reasons of delay or cost.

containers; the facilities that serve as intermediate points of distribution; and the labor that makes each hand-off possible. Each container in the service of delivering goods to U.S. consumers is unavailable to deliver exports to markets across the globe. And demand for computer chips used in the personal computers and gaming devices we bought for home use during the pandemic competes with demand for the same chips used in automobiles. In this case limited capacity also contributes to supply chain disruptions.



But the **pressure points** are not only related to capacity in manufacturing and transport. Disruptions can also occur as a result of operational inefficiencies and regulatory pressures that can encourage cargo to follow a path of “least resistance,” whether for reasons of delay or cost. And as recent history demonstrates, geopolitics, including wars and natural disasters, can dramatically impact the decisions made with regard to the movement of people and goods.



**Each container
in the service of
delivering goods to
U.S. consumers is
unavailable to deliver
exports to markets
across the globe.**

SUPPLY CHAIN STAKEHOLDERS

Relieving supply chain pressure points is not easy. The global supply chain is complex; and the source of problems that impact other parts of the chain may not always be immediately identifiable. Also, the stakeholders involved present a wide range of differing priorities, perspectives and related self-interests.

Understanding this is often the first step in identifying solutions to challenging problems, and more important, who should take the lead in resolving them. Key stakeholders include:



- **Consumers**, the stakeholders that create demand for freight.
- **Infrastructure Managers**, the stakeholders responsible for the construction, operation, and maintenance of physical infrastructure and public assets utilized by consumers and distributors who transport goods.
- **Distributors**, the stakeholders responsible for operating the freight systems that move goods through urban, suburban, and rural jurisdictions using public infrastructure.
- **Planners and Regulators**, the stakeholders involved in developing goods movement policies and regulations related to planning concerns and transport externalities.

Consumers	Infrastructure Managers	Distributors	Planners and Regulators
<ul style="list-style-type: none"> • Manufacturers • Construction Industry • Wholesalers • Retail Stores • Restaurants • Offices • Homes • Schools 	<ul style="list-style-type: none"> • State Departments of Transportation • Local Transportation Agencies • Railroads • Ports • Airports • Intermodal Facilities • Pipelines • Border Crossing Agencies • Utilities • Waste Management Companies • Parking Authorities • Private Developers 	<ul style="list-style-type: none"> • Freight Consolidators • 3PLs • Parcel Delivery Services • Postal Service • Freight Forwarders • Drayage Trucking • Common Carriers • Private Carriers • Receivers • Shippers 	<p>Local/Regional Municipal Government Planning and Zoning Authorities/Air Quality Districts/MPOs</p> <p>State Caltrans/CalSTA/CARB/ State Legislature/ Governor’s Office/CA Energy Commission/ CA Freight Advisory Committee/CA Transportation Commission/ Department of Fish and Wildlife</p> <p>Federal Federal Aviation Administration/Federal Maritime Commission/ Federal Railroad Administration/Federal Trade Commission/ Army Corps of Engineers/ Customs and Border Protection</p>

Each of these groups – and segments within them – has its own set of mission-critical priorities as well as knowledge and resources to contribute to goods movement success.

Central to each of these is **Labor**, including the factory and agricultural workers, dockworkers, drivers and cargo handlers, warehouse employees, construction workers and service workers that make possible the flow of freight at each stage in the process. Labor also plays a critical role as consumer of goods.

Experienced industry leaders understand all too well that even the seemingly simple task of problem identification within the global supply chain requires thoughtful and ongoing conversation and analysis. And when one link in the supply chain is broken, the entire chain becomes less effective.

Limited port capacity to accommodate greater cargo volumes can translate into a need for operators to keep loads on trucks or in empty containers, worsens both equipment shortages and container shortages, which then create significant delays in transporting freight from warehousing, distribution and fulfillment centers. The longer a container is used as temporary storage for excess goods, the greater time lost utilizing it to carry more cargo. For all of the parties involved, congestion is a common enemy, and the question becomes, what can we do better to improve the situation?

For planners and regulators, the question is often how best to encourage changes that are beneficial to society but don't create unintended consequences including shifts in trade patterns that could negatively influence goals related to economic growth. At the federal level, this can include plans for additional investments in infrastructure.

In California, recent years have seen significant efforts to mitigate the real and negative environmental impacts of global trade. These have taken the form of legislative efforts incentivizing operational changes such as the adoption of appointment systems which, if improving efficiency and reducing truck queuing, would have positive environmental benefits. The most recent efforts have established mandates for the transition to zero emissions vehicles in the freight sector. It should also be noted that key industry stakeholders, led by the San Pedro Bay Ports, have adopted their own environmental standards in the form of the Clean Air Action Plan (CAAP), first adopted in 2006 and then updated in 2010 and 2017. The CAAP has established a model for an industry-led approach to problem solving across jurisdictional boundaries in concert with government. Environmental rules and regulations add more complexity to goods movement in California, but efforts like the CAAP demonstrate the potential for the industry to work together with policymakers and elected officials to establish and meet shared goals.

Separate from the sheer number of actors engaging with each other, a variety of external factors can add uncertainty to the supply chain. The Ever Given blocking the flow of cargo traffic in the Suez Canal, as well as the COVID-19 pandemic, are indicators that unpredictable and unforeseen events can test the limits of already strained systems. Political conditions, manifested in conflicts like the U.S.-China trade war and more recently the war in Ukraine, represent another range of difficult socio-political challenges. Tariffs imposed on major trade partners shift demand as rising prices for transport and finished goods are felt by the consumer. And as costs for importers increase, companies may decide to change where goods are manufactured, as well as the level of cargo traffic coming in and out of U.S. ports. Similarly, natural disasters may temporarily shut down trade hubs, displace workers, or disrupt existing cargo routes.

These problems cannot be resolved with a single solution or by a single actor. More value is added to the entirety of the supply chain when stakeholders seek systems based solutions.

California Freight Advisory Committee

Established by Assembly Bill (AB) 14 (Lowenthal, 2013), which includes responsibilities such as:

- Advising on freight-related priorities, issues, projects, and funding needs.
- Serving as a forum for discussion for state transportation decisions affecting freight mobility.
- Communicating and coordinating regional priorities with other organizations.
- Promoting the sharing of information between the private and public sectors on freight issues.

The Office of Sustainable Freight Planning

California Department of Transportation with responsibilities such as:

- Improving freight mobility.
- Developing long-term strategic plans and policies to improve the State's goods movement system while protecting the environment and affected communities.
- Advocating for dedicated funding for goods movement programs and projects.
- Building partnerships with public and private officials and goods movement stakeholders.
- Developing analytical tools and supporting data collection to better inform goods movement planning and decision-making.

California Transportation Commission

Administers programs and responsibilities on freight under Senate Bill (SB) 1 including the Trade Corridor Enhancement Program (TCEP), with responsibilities such as:

- Providing funding for infrastructure improvements on federally designated Trade Corridors of National and Regional Significance, on California's portion of the National Highway Freight Network and along other corridors that have a high volume of freight movement.
- Seeking to enhance projects that create capacity and efficiency of ports.
- Evaluating total potential economic and noneconomic benefits of programs, inclusive of freight such as those under the TCEP, to California's economy, environment, and public health.



Four Key Components

Background Report

Social Media Campaign

Virtual Workshop

Small Group Roundtable

California Supply Chain SUCCESS Initiative: A Focus on Solutions

- **#SystemOfSystems**
- **#AddingValueToTheSupplyChain**
- **#EveryDayIsFreightDay**
- **#SupplyChainSuccess2021**

Although breakdowns may occur at many points throughout the supply chain system, each actor within the connected network is able to contribute to the identification of solutions. As a result, the California Supply Chain SUCCESS Initiative was designed to offer different ways for a broad based set of stakeholders to contribute ideas and thoughts that could be shared with key decision-makers. These are decision-makers from both industry and the government who are in a position to identify short term and longer-term strategies that address supply chain problems.

So just what is it?

The California Supply Chain SUCCESS Initiative is a series of solutions-based dialogues among and between the set of systemwide stakeholders along the supply chain. It is a response to the many visible - and some not so visible - challenges to the supply chain that existed before the pandemic but that, in the wake of it, gained new prominence. It seeks to answer the questions:

- *What can we as supply chain stakeholders do better in order to add value to the supply chain?*
- *What does supply chain success look like?*
- *What obstacles are preventing us from getting there?*
- *What are the risks of doing nothing?*
- *What is the appropriate role for government?*

The hoped-for result is a set of consensus-driven, agreed-upon strategies for near term and long term steps that both industry and government can take to add value to the supply chain.

Who are the sponsors?

The California Supply Chain SUCCESS Initiative is sponsored by the California Governor's Office of Business and Economic Development (GO-Biz) in conjunction with the California State Transportation Agency (CalSTA), the Port of Long Beach, Port of Oakland and the California State University, Long Beach Center for International Trade and Transportation. But the network of supply chain operators, the people who help move the goods,

and the communities through which freight passes all have a stake in the outcomes.

What does the Initiative include?

The Initiative has four key components:

- *A background report that looks at "How did we get here" and outlines some of the broader supply chain as well as global trends that create both demand for goods and bottlenecks to efficient freight flows*
- *A social media campaign that shares valuable knowledge about the supply chain, dispels some myths about it, and solicits video responses to the questions above that help identify those solutions that add value to the supply chain*
- *A virtual workshop that allows participants to contribute their thoughts and respond to contributions from others*
- *Small group roundtable gatherings of key supply chain leaders designed to further define and refine strategies for short term response and longer-term changes that support the system of systems*

Why is it needed?

The pandemic made visible some of the supply chain's already existing vulnerabilities while creating new challenges driven by changes in how we order, move, and consume goods. For California, its role as the nation's principal maritime trade gateway is clearer than ever. This enhanced visibility, and a recognition that the supply chain is the front line, have come with a demand for response from all corners. A systems wide approach and a consensus-based process will help us to identify solutions that benefit the entire supply chain.

The Virtual Workshop:

Casting a wide net and thinking outside the box

An open-forum virtual workshop was held on September 1st, 2021. It convened over 140 registrants representing key industry sectors, the community and government. The participants addressed four key issues that surfaced through the social media campaign and concurrent stakeholder interviews as principal concerns of a diverse set of stakeholders: supply chain visibility, the role of government, efficiency of intermodal operations, and changes in consumer demand. The workshop format allowed participants to move themselves between virtual “table top” discussions in small group settings offering

resistance to sharing proprietary data, there is also little incentive to develop a more transparent and accessible information portal for all users. There is no single website to aggregate data, and often outdated data infrastructure. Most data is also unsorted and uncategorized, so development of a comprehensive system is necessary according to the participants.

Modernizing systems and making them compatible will also demand a skilled workforce in areas such as technology integration, data science and cybersecurity.

“ I was delighted to have the opportunity to moderate a panel discussion on one aspect of the solution set: increasing visibility. It became obvious very quickly that technology has a key role to play. However, it’s not technology per se that will solve the problem – it’s data – and particularly shared data – that is “the new oil.” ... It’s also important to consider that data by itself has no life of its own – it needs collaboration and methods of working together that can give life to the use of technology for data sharing. It’s hard to come away with anything other than an optimistic outlook because of the cross-section of stakeholders represented, the “roll up your sleeves” approach to the conversations and the sense of shared urgency.”

Biju Kewalram, *Chief Digital Officer, Transformation Core, and instructor, CSULB Global Logistics Professional Program*

perspective and ideas on a variety of topics. Each table had a thematic topic based upon one of the four issue areas.

The workshop participants were in general agreement that the supply chain, while amazingly effective in moving goods across great distances involving multiple hand-offs, often acted like “an orchestra without a conductor.”

There was also a recognition that key information and communication gaps existed, even between parties who interact on a regular basis and are central to global trade. These include ocean carriers and maritime ports.

Data integration was also revealed to be a primary need, particularly for the purpose of contingency planning. Data sharing is needed to improve transactions, including any delays in arrival of a shipment. It is also critical to long range strategic planning and for tracking on a continual basis everything from natural disasters to congestion bottlenecks.

All this requires a level of data standardization that does not exist. Different parts of the supply chain have very different capacities to manage large data flows and to share that information with others. Because there is often

This is in addition to the other aspects of supply chain management that need workers in order to keep the freight flowing. These include consumer demand forecasting; trucking, warehousing and distribution; intelligent transportation systems; economics; and environmental managers just to name a few.

Educational institutions, particularly community colleges, have a large role to play in developing these skills.

Participants also agreed on the need to identify the right role for government to play in facilitating freight flows, including identifying and prioritizing infrastructure improvements that keep California and, by extension, the U.S. a global trade leader. There was also consensus surrounding the need to consider the impact of regulatory action on the competitiveness of the supply chain.

Government at all levels also has a role to play in creating incentives for parties to come together on a regular basis for the purposes of solving problems and in investing in the supply chain workforce.

SUCCESS

Workshop Outcomes

VISIBILITY

- Establish a standardized, publicly available data system and encourage sharing/exchange of proprietary data
- Expand programs like Adopt-a-Ship to expand awareness of areas of the supply chain, such as maritime operations

GOVERNMENT

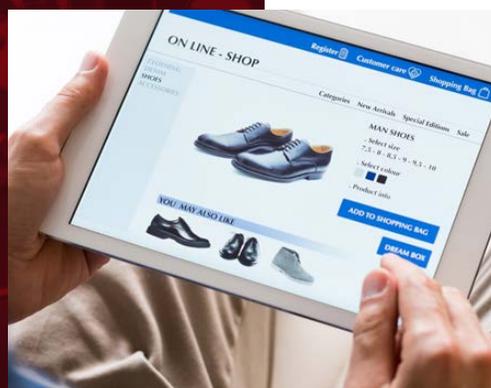
- Establish a state and/or federal level representative/ coordinating body, such as a Council on Port Performance, which would keep the government informed of industry issues and interests
- Identify funding for infrastructure modernization
- Educate government leaders on supply chain processes and maintain constant dialogue

INTERMODAL

- Address barriers to clearance/availability by upgrading systems such as truck appointment scheduling and increasing transparency and availability of information on equipment usage
- Encourage multiple/alternate pathways to reduce congestion
- Eliminate flat fees across all hours
- Increase communication between carriers and ports (e.g., regarding fuel changes, large ship arrivals)

DEMAND

- Update predictive data systems to better improve current methods of forecasting consumer demand
- Expand workforce development through measures like training centers, apprenticeship programs, and increased collaboration with community colleges
- Invest in infrastructural improvements
- Encourage U.S. equipment manufacturing



SUCCESS Summit

As a follow-up to the virtual workshop, the California Supply Chain SUCCESS Initiative convened 25 key decision-makers from industry, state and national government, and planning agencies with the goal of committing to actionable measures to move beyond problem identification. The California Supply Chain SUCCESS Summit took place on September 21, 2021 at the Port of Long Beach. Despite the very diverse backgrounds of participants and the role each plays in the supply chain, consensus developed a core set of solutions and first steps:

Capacity and Utilization

- Participants identified expanded capacity and utilization as a pre-requisite to increasing working hours. Chassis, equipment, and labor shortages, as well as limited warehouse space, create immense challenges regardless of the number of hours being worked. Full efficiency also necessitates optimizing the use of existing equipment, such as cranes, which may have been underutilized during the pandemic. Post-summit, several participants began plans to coordinate crane availability to be used for training purposes when not in use for cargo handling.

Hours of Operation

- The Summit revealed a consensus that increasing efficiency would benefit from a focus on reaching “16/5” (rather than 24/7) operations for certain sectors of the supply chain, including trucking, port operations, and warehousing. Other proposed solutions included shifting, rather than extending, hours earlier in the morning, later in the evening, or at night to avoid traffic congestion and speed up transport. Groups also recognized the need to synchronize hours of operations including unifying open gate and trucking hours. After the SUCCESS Summit, the Port of Long Beach announced its pilot plan with Total Terminals International (TTI) to extend gate hours.

Buffer Zones

- Addressing capacity shortages may require expanding storage and buffer locations, for example making available staging and logistics areas, to reduce backlogs at the ports, warehouses, and other cargo-handling centers. These would be pursued with the general goal of reducing dwell times and preventing cargo from piling up in one location and therefore causing delays.

Data Sharing, Access, and Modernization

- In order to enable real-time situational updates and increase communication between carriers and truckers, optimize shipment routes, and eliminate blind hand-offs, data must be made significantly more accessible and modernized.

Freight Policy Coordination

- To respond to high levels of fragmentation across the supply chain, an independent, appointed policy director for the State could help manage policy issues, and facilitate communication between and among agencies and with freight operators. As an interim step, an advisory body that communicates industry needs to the highest levels of state government on a recurring basis is advisable. Having substantial financial backing to execute coordinated efforts must also be a priority.



Other potential solutions

- Several other potential solutions emerged, including making trucking and warehouse jobs more attractive (such as by raising wages and eliminating training bottlenecks) to address labor shortages; advocating for 24/7 rail operations; addressing the supply chain's market failures and tendency to reward inefficiency – for example business structures that increase profits for sending containers back empty; restructuring the truck appointment system at marine terminals; doubling and tripling cargo loads for drivers and increasing weight limits; increasing chassis and equipment manufacturing, as well as warehouse storage space; and eliminating ‘free shipping culture’ when shipping is not free.

Summit Outcomes

Capacity and Utilization

- Improving workforce recruitment by raising wages and eliminating training bottlenecks
- Fully using equipment with low utilization
- Increasing equipment manufacturing in the U.S.
- Improving systems of equipment management, such as trucking appointments
- Doubling/tripling cargo loads and increasing weight limits

Hours of Operation

- Expanding to 16/5 or 24/7 operations for terminal operations, warehousing, and railways near ports. Expanding to 5-night/week operation for warehouses. Shifting hours earlier in the morning, later in the evening, or at night to avoid congestion. Syncing hours of operations (e.g., unifying open gate and trucking hours).

Buffer Zones

- Expanding storage and buffer locations (e.g., a staging/logistics area) to fully utilize California's desert space and reduce backlogs
- Expanding temporary storage spaces in land parcels that are currently unused
- This may come in the form of accelerating the acquisition of land permits or other processes.
- Creating dray-off yards.

Data Access

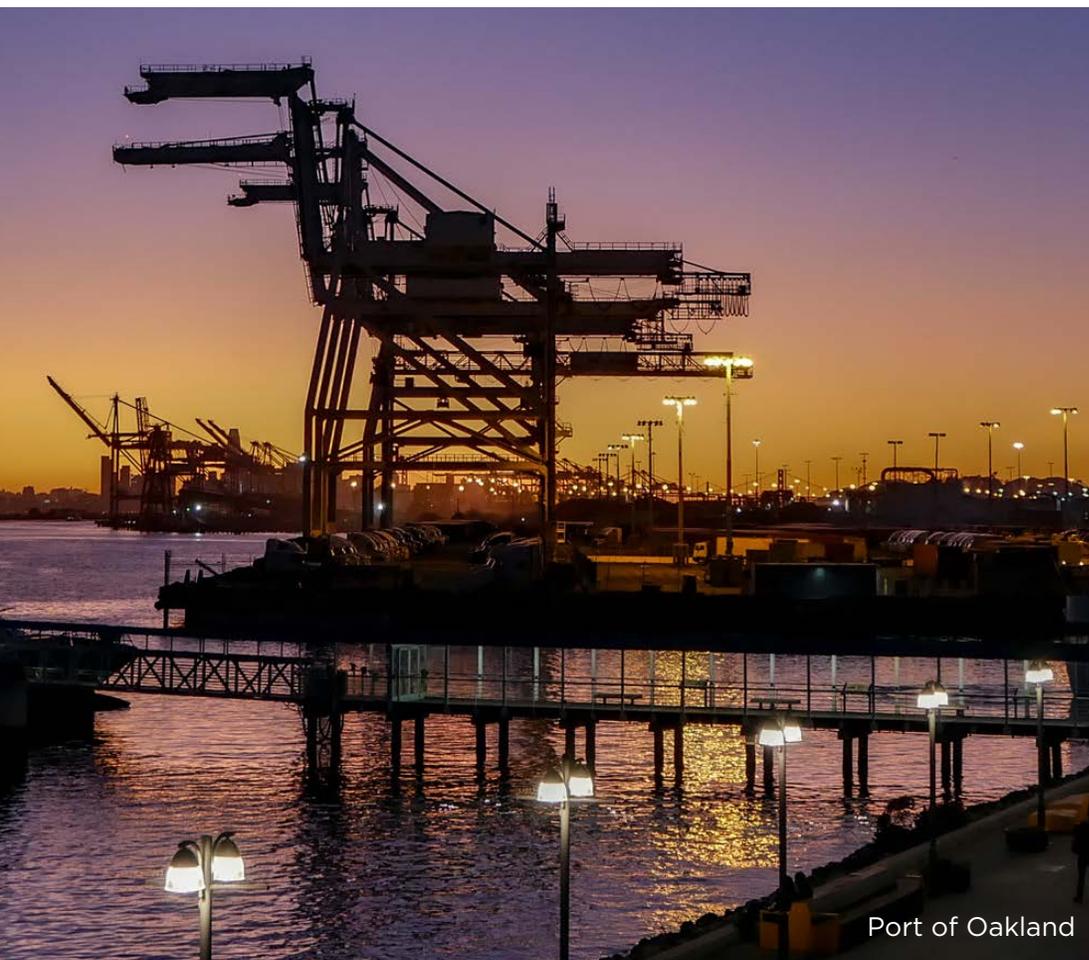
- Increasing data access & modernization to enable real-time situational updates to increase communication between carriers and truckers, optimize shipment routes, and eliminate blind hand-offs. Address structural gaps in data capabilities, such as between well-resourced larger firms versus smaller companies.

Policy Coordination

- Appointing an independent, appointed policy director to manage policy issues, provide advice for improvement, and unify the supply chain across interests. Alternatively, a cooperative, team-based body. Supporting this coordinating body with substantial financial backing to execute efforts.

Other

- Addressing market failures and existing rewards for inefficiency (e.g., higher profit for sending containers back empty). De-politicizing supply chain decisions.



Agriculture Technical Working Group

The California Supply Chain SUCCESS Summit revealed both the challenges and opportunities in front of California's supply chains. But it also revealed the unique experiences of specific supply chains that are central to the economic health and well-being of the State's economy. Not all problems are the same and not all solutions are applicable in all situations.

As a follow-up to the Summit, GO-Biz partnered with the California Department of Food and Agriculture (CDFA), the California State Transportation Agency (CalSTA), the Port of Oakland (Port) and representatives from the California agricultural industry and transportation sector to convene the Agriculture Technical Working Group (TWG). The meeting, held in December 2021 at the Port of Oakland, was attended by leadership from the agencies as well as key agriculture industry representatives who are dependent upon the Port, transport and distribution services, and the State's infrastructure in order to connect goods and people.

The Challenge at the Port of Oakland

One of the most critical issues impacting the Port's ability to meet the needs of the agricultural industry is the fact that many of the shipping lines are currently bypassing the Port of Oakland due to their extended time at anchor in Southern California. This translates into fewer vessels with available space for export with ripple effects on the availability of trucking services and equipment.

The Port asked for help from state agencies and other attendees in getting shipping lines to return to Oakland and the resumption of export services for California's agricultural industry.

Issues and Solutions for Asset Management

A central focus of the discussion was asset management including concerns surrounding chassis availability, the need for land for container storage, the impact of dwell time at the Port on equipment availability, and a lack of appropriate food grade containers and refrigerated containers, or “reefers.”

Chassis Availability

Empty chassis availability is an issue all over California. Due to lack of container storage space, containers are often stored on chassis, rendering the chassis unavailable for the transport of containers away from the Port, or the transport of empty containers back to the Port or to an exporter. The agricultural industry is heavily dependent on food grade containers that are also refrigerated to prevent food product spoilage. In addition to the lack of reefers, there is often a lack of available plugs, or the power outlets that reefers need to maintain refrigeration.

Food grade containers have different properties, including some that are also odor-free. Some food commodities, such as rice and walnuts, are prone to absorb odors, which would ruin the shipment. Availability of containers that are food-grade and odor-free has been challenging, and exporters are turning away containers that cannot be used for certain foods on a regular basis, sometimes daily.

A recommendation resulting from the TWG discussion was for the Port to provide two sets of containers: one for food, and one for everything else; and an off-dock location for the fumigation of containers.

Restoring Vessel Calls

Restoring vessel calls was central to the TWG discussion. The TWG reached consensus on the fact that, until shipping line services are restored to the Port, equipment and assets will not be reliably available.

Off-dock Container Storage Facility or Depots

The need for container depots for storage was also a generally agreed upon topic with consideration given to both near-dock and inland locations. Concerns were expressed over whether containers stored at a depot would incur demurrage.

Hours of Operation

The Port’s hours of operation were identified by some to be a challenge and contributing factor to rush-hour traffic. Earlier start times would allow trucks to get into the Port before rush hour, and be back on the road without impacting traffic. It was recognized that changes to operating hours would be subject to not-easily-effectuated changes to the dockworkers’ agreement.

Data and Information Sharing

TWG participants believe the information regarding when ships are arriving, and container and chassis

availability, is too fragmented and requires connecting to a variety of platforms making it a difficult and time-consuming task.

Lack of access to information also contributes to the industry’s inability to react to volatility. For instance, exporters requiring food grade equipment need information on availability to coordinate other aspects of the supply chain, including inspections.

Another concern expressed by stakeholders is that basic supply chain performance metrics are not being tracked. On-time delivery, what carriers can provide, and other data points are critical to making real-time decisions on how to keep agricultural cargo moving.

While many state and federal agencies already have platforms for collecting data, or are exploring developing platforms for data sharing, data integration is a long term prospect and requires funding and extensive oversight. It is also not clear whether this should be a regional or national priority, and which, if any, government agencies will have a role in the development of information sharing platforms and what that role will be. The Port of Los Angeles has the Port Optimizer platform in operation, and the Port of Long Beach will be kicking off its own data information highway project. The Port of Oakland is also starting to look at data and information sharing platforms. The question is to what extent coordination and integration is possible or warranted.

Overweight Corridors

Overweight corridors (OWC) extend the options available to shippers to carry cargo; and some participants recommended that the more weight allowed, the better. Shippers currently have to manage load weights in a way that adds to the number of shipments, therefore more trucks and containers are required. This challenge will be exacerbated as we move to electric trucks. Increased allowances on OWCs will make it feasible to adopt new equipment.

Caltrans has started to issue extranormal permits, and the Federal Highway Administration (FHWA) allows exemptions for international commerce non-divisible loads. Caltrans designs pavement in a different way now that can support a heavier load, but axle weight allowances as well as total weight allowances also need to be considered.



The U.S. Department of Transportation, a participant in the Summit, agreed to partner with California to help the state modernize its supply chain.

SUMMIT Impacts



After both the SUCCESS Workshop and the Summit, several stakeholders took significant measures on key consensus points:

California's Governor Newsom issued Executive Order N-19-21 which directs several agencies to grant exemptions to vehicle weight limits, identify non-state and state-owned properties near the ports for temporary storage, expedite leasing processes for storage, initiate high-road training partnerships, establish an industry panel, expedite and give funding preference to supply chain issues, and develop long-term proposals to support goods movement.

CalSTA and Caltrans have invited various stakeholders to participate in two workshops to identify which freight routes should qualify for weight exemptions.

The Port of Long Beach announced its partnership with Total Terminals International (TTI) to extend gate hours to 24/7 operations.

The Port of Long Beach launched a data sharing portal, the Supply Chain Information Highway, with the support of the Port of Oakland.

The Port of Oakland and the California Association of Port Authorities issued a five part plan to ease congestion at West Coast ports which includes identifying and allowing off-port staging areas for empty containers and establishing a California Office of Freight.

The California Senate and Assembly held a Joint Hearing of the Select Committees on Ports and Goods Movement, "The Perfect Storm: California's Port Congestion and Goods Movement Crisis," to identify relevant solutions to supply chain problems.

The U.S. Department of Transportation (US-DOT), a participant in the Summit, agreed to partner with California to help the state modernize its supply chain.

The City of Long Beach assigned more temporary storage spaces for containers, while Union Pacific Railroad announced that its operations near the ports would shift to near 24/7 operation.

Local authorities have been authorized to increase the number of stacked containers to four, from two, in order to prevent the accumulation of unused containers.

The International Longshore and Warehouse Union (ILWU) announced a commitment to increasing extra shifts for workers in light of 24/7 port operations.

Several major companies, including Walmart, UPS, FedEx, Samsung, Home Depot, and Target announced plans to shift to 24/7 operations.

The White House announced a partnership with shippers, ocean carriers, ports, terminal operators, and other industry stakeholders on a data portal connecting U.S. trade gateways.



WHAT THE **FUTURE HOLDS**

The California Supply Chain SUCCESS Initiative was developed in response to an immediate crisis driven by forces external to California. But it underscored California's role as a global supply chain leader and contributed to stakeholder action in response to short term needs including the establishment of container buffer zones. More important, it revealed the value of taking a supply chain approach to both problem identification and problem solving.

The State can play a valuable role as convener of all interested parties by continuing to build the framework that supports open dialogue and continued collaboration by:

Offering on a regular basis virtual check-ins that allow stakeholders to share their perspectives on the actions taken by the State and freight industry in response to supply chain challenges, documenting both the intended and unintended consequences of policy measures and operational decisions

Establishing roles for statewide agencies with regard to freight, and continuing to explore options for a statewide freight policy coordinator that works with industry on a regular basis to address short term and long term challenges

Developing metrics for identifying the health and well-being of the State as a supply chain hub, including measures of sustainability, competitiveness and efficiency

Establishing mechanisms to capture and track data at the supply chain level that serve as a report card on California's supply chains

Among the California Supply Chain SUCCESS Initiative's key questions was "What does supply chain success look like?" The answer starts with regular and open information sharing. The answer to the question "What are the risks of doing nothing?" is clear: a #systemofsystems in constant reactive mode waiting for the next crisis to occur.

The choice is ours to make.



CALIFORNIA SUPPLY CHAIN SUCCESS INITIATIVE
LEADERSHIP GROUP

GO-Biz

Dee Dee Myers - *Senior Advisor and Director*
Trelynd Bradley - *Deputy Director*

CalSTA

Toks Omishakin - *Secretary*
Giles Giovinazzi - *Senior Advisor*

CITT

Tom O'Brien - *Executive Director*
Elizabeth Warren - *Senior Industry Liaison*

Port of Long Beach

Mario Cordero - *Executive Director*
Roger Wu - *Director of Business Development*

Port of Oakland

Danny Wan - *Executive Director*
Matt Davis - *Director of Governmental Affairs*

California Department of Food and Agriculture

Karen Ross - *Secretary*
Christine Birdsong - *Undersecretary*

Acknowledgements

Sincere thanks and appreciation to David Kim, *Former California Secretary of Transportation*, and Frank Ramirez, *Former Deputy Director, Goods Movement and Sustainable Freight* at the Governor's Office of Business and Economic Development (GO-Biz) for their support of this Initiative. Although both have moved on to other positions, their leadership was essential and their input was critical to the findings of this report.



PRESENTING SPONSORS



1325 J Street, Suite 1800, Sacramento, CA 95814 <https://business.ca.gov>