



April 19, 2022

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

Dear Governor Newsom,

On behalf of the organizations listed below, we appreciate your Administration's continued interest and efforts in addressing the disruptions facing our state's supply chain, including issuing executive orders to develop both short-term and longer-term proposals that support port operations and goods movement; budgetary solutions; and continued coordination with the Biden-Harris Administration Supply Chain Disruption Task Force to address state and national global supply chain challenges.

To ensure today's challenges to California's supply chain are not compounded, we ask for your focus on the contract negotiations expected to begin May 12 between the Pacific Maritime Association (PMA) and the International Longshore and Warehouse Union (ILWU) before the July 1 contract expiration date. A timely and satisfactory resolution that advances the needs of both the workers and ports is imperative to avoiding further backups, delays and higher costs. We do note the US Secretary of Labor Marty Walsh publicly has stated he will be watching the negotiations closely and speaking at an American Association of Port Authorities (AAPA) event, urged all involved, as well as interested observers to maintain an even keel.

As you well know, California is the fifth largest economy in the world with a gross state product of over \$3 trillion. International trade and investment are major parts of our economic engine that broadly benefit businesses, communities, consumers and state government. It is also one of our state's key competitive advantages. California's economy is diverse, and the state's prosperity is tied to exports and imports of both goods and services by California-based companies, to exports and imports through California's transportation gateways, and to movement of human and capital resources.

Although trade is a nationally determined policy issue, its impact on California is immense. In 2021, California exported to 226 foreign markets. Trade offers the opportunity to expand the role of

California's exports. In its broadest terms, trade can literally feed the world and raise the living standards of those around us.

Here in California more than 40% of the nation's imports and 30% of the nation's exports come through the state's major ports at Los Angeles, Long Beach, and Oakland along with California small port systems up and down the coast. For the global supply chain, which relies on a just in time delivery model, the experienced delays have a strong correlation with the wait times and shortages that consumers are experiencing in their day-to-day lives, affecting the world's economies' ability to avoid price shocks and increasing the cost of living in California.

Though negotiations have not yet begun, the uncertainty is already affecting operations. Some cargo owners wary of further disruption already have shifted their volumes to the East and Gulf coasts to avoid or mitigate potential problems. These adjustments are influencing both volumes and market share. Further, retailers already are developing contingency plans and one shipping company is looking to suspend sailings. Looking back at past negotiations, the potential for negative effects on supply chains in the US economy is significant.

To avert an ongoing cycle of congestion and ensure US ports are in a position to compete globally, some essential steps are needed. Of critical importance is targeted investment and support for infrastructure modernization and automation with workers skilled and prepared for these advanced jobs. We recognize the crucial role port workers have played in supporting supply chain and logistic needs during the most challenging of times. But in light of the highly competitive international shipping sector, we must also address systemic operational challenges by enabling transparency and data sharing.

The CalChamber membership believes these are vital elements that must be considered in any final agreement between the PMA and ILWU, and ask your Administration to urge the parties to address these important issues now to ensure our supply chains are fully prepared to support continued economic growth and mitigate potential disruptions.

These efforts will benefit California importers and exporters, the millions of workers they employ, and the millions of consumers they serve. Swift action and consistent attention to this matter can safeguard our shared economic gains and protect the progress your Administration has made in addressing supply chain disruption in port congestion.

Please know the California Chamber of Commerce and undersigned members stand ready to work with the Administration, Legislators, stakeholders, and other interested parties to achieve further progress on easing port and supply chain congestion in our state and beyond.

Thank you for your consideration.

Sincerely,



Jennifer Barrera
President & CEO
California Chamber of Commerce
on behalf of the organizations listed below

California Association of Bed & Breakfast Inns
California Building Industry Association
California Business Properties Association
California Business Roundtable
California Hotel & Lodging Association
California Manufacturers & Technology Association

California Retailers Association
Inland Empire Economic Partnership
Long Beach Area Chamber of Commerce
Los Angeles Area Chamber of Commerce
Los Angeles County Business Federation
National Association of Independent Business
Orange County Business Council
Southern California Leadership Group

cc: Ambassador Eleni Kounalakis, Lt. Governor of California
Ms. Dee Dee Myers, Director & Senior Advisor, Governor's Office of Business and
Economic Development
The Honorable Toks Omishakin, Secretary, CA State Transportation Agency
The Honorable Natalie Palugyai, Secretary, CA Labor & Workforce Development Agency
The Honorable Karen Ross, Secretary, CA Department of Food and Agriculture
California Assembly Select Committee on Ports and Goods Movement
California Senate Select Committee on Ports and Goods Movement

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