

GOODS MOVEMENT



California is one of the largest economies in the world due, in part, to its role as a commercial hub between the United States and its international trade partners. More than 30% of all container traffic into the United States comes through California's ports, and supply chain-connected industries such as retail drive one-third of the state's economy. However, the reliability of the system of goods movement is being tested by multiple factors including labor strife, increasing regulation and infrastructure neglect.

Policies that impact the supply chain hurt workers as well as the economy. Jobs related to the goods movement are quality jobs and often available to those with a high school diploma or less. Median pay for a job in logistics averaged nearly \$50,000 annually in 2020. Longshoremen in the Ports of LA and Long Beach earn over \$100,000. Truck driving can also pay six figures.

CALIFORNIA'S DECLINING SHARE OF INTERNATIONAL TRADE

California became a center for trade, not just because of its coastal location, but the state's infrastructure for goods movement – ports, freeways, warehouses and rail lines. As learned during the pandemic, this system is increasingly incapable of keeping up with demand. Port infrastructure is inadequate, environmental and labor regulations reduce the number of trucks available for transportation and warehouses fill to capacity.

These supply chain logjams contribute to inflation and other economic consequences. Since 2006, ports along the West Coast have lost nearly 20% of their share of containerized freight to ports elsewhere around the country. The pandemic renewed uncertainty about California's system of goods movement and retailers and other importers have accelerated their searches for other ports to do business.

SYSTEM OF SYSTEMS

Numerous state and local agencies oversee aspects of goods movement. Likewise, legislation related to transportation, labor and the environment can have significant impacts on the supply chain. Policies that impact one aspect of the goods movement – as seen with port infrastructure – will have ramifications for the rest of the system.

There needs to be a greater commitment on the part of lawmakers to protect and enhance the supply chain as well as a more unified, coordinated approach to supply chain policy from the Executive branch.



ENVIRONMENTAL PROGRESS AND CHALLENGES

California is making huge strides in reducing the impact of supply-chain operations on the environment. Air pollution related to truck emissions has dropped precipitously. The Air Resources Board (CARB) requires all commercial trucks to meet the USEPA 2010 standards by 2023 and imposes numerous other restrictions on idling, refrigerated trailers and drayage trucks. CARB's Advance Clean Trucks rule and Advanced Clean Fleets rule will pave the way for California trucking to be fully electric in the next two decades.

Despite this progress, local air districts are pushing additional layers of regulation on goods movement in their jurisdictions. Since these districts do not have jurisdiction over mobile sources, they use an "Indirect Source Rule" to regulate trucking and assess fees via warehouse operators. ISRs heap costly new requirements on top of USEPA and CARB rules and discourage the construction of new warehouses in California.



INFRASTRUCTURE NEEDS

The 2022-23 State Budget included \$1.2 billion in one-time funding for improvements to ports and freight corridors. California retailers fully support these efforts and hope for continued investments to match the aggressiveness of East Coast ports in recent decades. One key is to update communications technology that will help coordinate and improve efficiency among port operators, trucks, equipment and warehouses. Retailers also support consideration of alternatives such as an "inland port" to expand port capacity away from congested urban areas along the coast.

