



WRITTEN TESTIMONY

OF

EUGENE D. SEROKA

EXECUTIVE DIRECTOR

PORT OF LOS ANGELES

ON

“ASSESSING THE STATE OF AMERICA’S SEAPORTS”

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON HOMELAND SECURITY

SUBCOMMITTEE ON BORDER SECURITY, FACILITATION, AND OPERATIONS

JANUARY 19, 2022

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022

Introduction

Good morning Chairman Thompson, Chairwoman Barragán, Ranking Member Katko, Ranking Member Higgins, Members of the House Subcommittee on Border Security, Facilitation, and Operations, 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 on the Board of Directors for the California Association of Port Authorities and the American Association of Port Authorities. Also, I have been honored to serve on four federal committees to enhance the speed and efficiency of cargo movement and supply chain optimization, including the U.S. Department of Commerce Advisory Committee on Supply Chain Competitiveness, U.S. Maritime Administration Marine Transportation System National Advisory Committee, Federal Maritime Commission Supply Chain Innovation Team and U.S. Department of Transportation Bureau of Transportation's former Port Performance Freight Statistics Working Group. In addition to spending the last eight 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 an open dialogue is needed on lessons learned from the current cargo surge, its effect on our supply chain, and

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022

how the federal government can assist the maritime industry going forward. Today, the ports and goods movement sector overall is experiencing unprecedented disruption, especially at major trade gateways around the world. As the federal government seeks to identify long-term solutions, now is the time to discuss what we have learned and how we can be better prepared in the future.

[The Port of Los Angeles](#)

The Port of Los Angeles is the busiest container port in the nation and the primary gateway to the Pacific Rim. While December 2021 volume is still being confirmed, we estimate that for calendar year 2021 the Port handled approximately 10.7 million TEUs (twenty-foot equivalent units, the standard measure of container cargo), about 13 percent more than its previous record set in 2018, and the first time a U.S. port has moved more than 10 million container units in a calendar year. This achievement is a credit to the women and men across the supply chain – from the waterfront to warehouses. It is also attributable to the immense operational scale of the Port of Los Angeles: 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.

**Eugene D. Seroka, Executive Director
Port of Los Angeles
Written Testimony to House Homeland Security Committee, Subcommittee on Border Security,
Facilitation, and Operations
January 19, 2022**

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 destined for the Los Angeles 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.

Volume Surge

Early in the pandemic, the Port was initially down 20 percent in cargo volumes, our marine terminals had ample space, and there was a large number of cancelled sailings. As the pandemic progressed and consumer spending shifted, our cargo volume increased rapidly averaging 900,000 containers per month since July 2020. Comparing the first eleven months of 2021 to previous years, they are 18.7 percent higher than 2020 volumes. In cargo value, overall trade in the third quarter rose more than 6.7 percent year over year, from \$72.8 billion in Q3 of 2020, to \$77.7 billion in 2021. This pandemic-induced surge is the main reason the Port of Los Angeles became the first port in the Western Hemisphere to process 10 million container units in a 12-month period. Additionally, the Port processed 1,012,248 TEUs in May 2021, a leap of 74 percent compared to May 2020. It was the busiest month ever in the Port's 114-year

Eugene D. Seroka, Executive Director

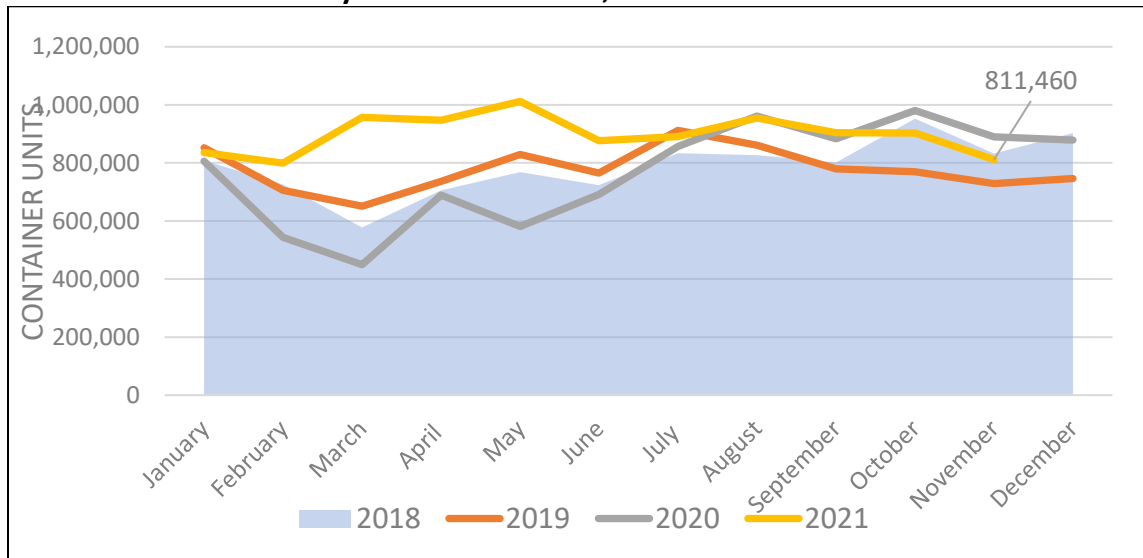
Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

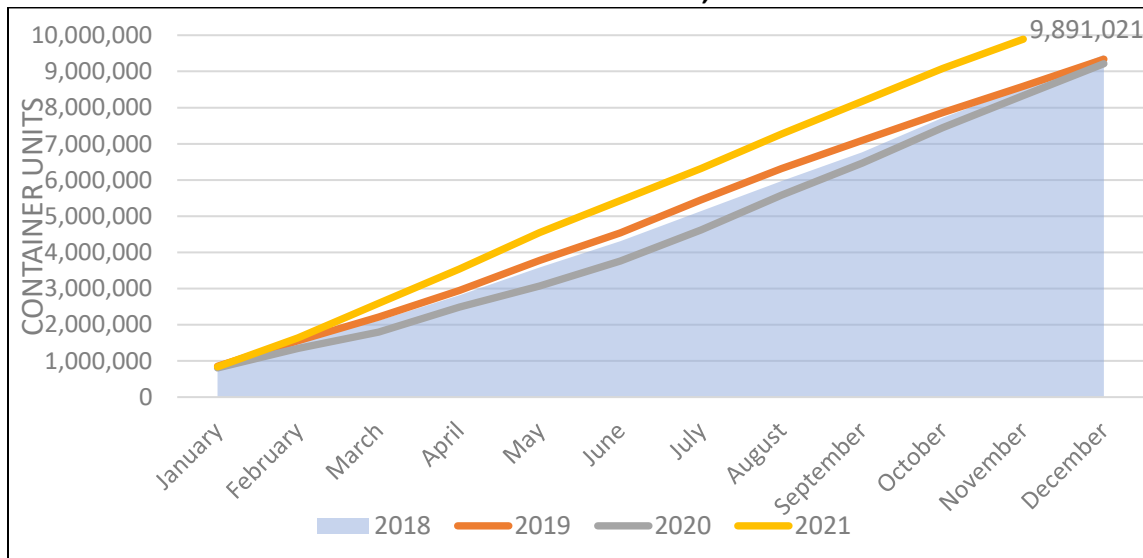
January 19, 2022

history, the first time a Western Hemisphere port has handled more than 1 million TEUs in a month.

Monthly Container Volume, Jan. 2018 to Nov. 2021



Cumulative Container Volume, 2018-2021



Note: the Port of Los Angeles is still finalizing December 2021 volumes. For 2021, cumulative volume through November was 9.8m container units; CY 2021 volume is anticipated to exceed 10m container units.

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022

Supply Chain Impacts and Response

Handling this amount of cargo is, by any measure, an amazing accomplishment for our terminal operators as well as our longshore workforce. 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.

The cargo surge has affected every node within the supply chain; our terminals are full, warehouses have reached capacity, containers and chassis are scarce, and ships await at berth, lining up outside the breakwaters for days.

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 9.6 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 6 days, an increase from 5.1 days previously

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022

recorded, and 4 days pre-pandemic. Marine terminal utilization remains elevated with terminal tarmacs 95 percent utilized (80 percent 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. In the Fall of 2021, we averaged more than 100 ships that were loitering/driftng/slow steaming heading to the San Pedro Bay. Of those, the Port of Los Angeles has consistently expected between 40-50 vessels, with an average anchorage time of 20 days. On November 16, the industry moved to a modified queuing system for safety and environmental purposes. This has significantly reduce the number of ship anchor within 40 nautical miles.
- **Rail:** The time that containers sit, waiting to be loaded on to a train – what we call “rail dwell time” – increased from 2 to 11.8 days. At peak, rail dwell was at 13.2 days in March 2021. Currently, thanks to the work of the Class I railroads, our on-dock rail time to load is now 3 days.

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022

To gain a better handle on the cargo congestion we are experiencing, we have launched several initiatives to deal with the unprecedented volumes, such as:

- **Accelerate Cargo LA:** In September 2021, after consultation with multiple supply chain stakeholders and the U.S. Department of Transportation, we announced expanded weekend operating gate hours. Dubbed “Accelerate Cargo LA,” the Port of Los Angeles’ program operates on a pilot basis to ensure that gate availability meets cargo demands and provides greater transparency to improve efficiency. We have called on marine terminal operators to incentivize the use of all available gate hours, especially night gates, to reduce congestion and maximize cargo throughput capacity.
- **Cargo Support Facilities:** Additionally, we have sought cargo support facilities to address the physical space limitations on our marine terminals. The Port of Los Angeles is identifying properties within the port complex that can serve as flex capacity, which will assist with operational challenges such as empty container returns, staging for loaded import containers, and other marine terminal support functions.
- **Port Community System:** The Port of Los Angeles is the only port in the United States to operate a Port Community System (PCS). While this is a common practice at ports across Asia and Europe, the U.S. has lagged in its investments in digital infrastructure. A PCS can

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022

optimize, manage, and aggregate logistics data allowing for advanced planning and better asset utilization.

Our system, the Port Optimizer, which is a cloud-based platform, collects data from more than 70 sources on vessel arrivals, container availability, marine terminal operating conditions, gate fluidity, and other logistical factors. It provides a single window through which beneficial cargo owners (BCOs), non-vessel owning common carriers (NVOs), and truckers can schedule appointments to take delivery of containers given real-time conditions at the terminals. Additionally, it already shares shipment data provided by carriers to some federal agencies, such as Customs and Border Protection.

This system is a unique approach to demonstrate the benefits of digitizing maritime shipping data and making it available to cargo owners and supply chain stakeholders through secure, channeled access. Within the last year, we have enhanced the Port Optimizer with several new features:

- *The Signal*: Includes a dashboard view of the total number of shipments expected to arrive in Los Angeles over the following three weeks. The data is broken down by container type and includes details on the mode of transportation, whether rail or truck, once it arrives at the Port. This planning tool enables stakeholders to have forward

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022

visibility and allow them to better utilize their assets and plan for labor, especially during volume surges like we are currently experiencing.

- *The Return Signal*: A data tool that assists the trucking community to know when and where to return empty containers to cargo terminals throughout the San Pedro Bay Port Complex. The system is user friendly by simplifying the search feature, providing a filter, and making it customizable for the stakeholder. This can enhance the probability of dual transactions since its data is updated every five minutes. Dual transactions occur when a truck driver returns a container or dropping off an export load and picking up a container (either an import or an empty for export load) in one trip.
- *The Control Tower*: A service and digital tool that provides real-time views of truck turn times at all the Port's cargo terminals, as well as other truck capacity management information, to help cargo owners, truckers, and other supply chain stakeholders better predict and plan cargo flows. The information is updated continuously with GeoStamp data and broken down by historical daily and monthly averages. It also provides recent and future trending volume data, as well as volumes and trends dating back to 2017, segmented by mode.
- *POLA Horizon*: The newest addition to the Port Optimizer is a long-term predictive data tool. The new module offers stakeholders the capability to gauge movement of containers—imports, exports, and empties—at the Port up to six months in advance. Its forecasting technology uses an algorithm based on historical and trending volume data collected by the Port Optimizer. Continually taking into account changing conditions at

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022

the Port, the algorithm constantly updates cargo volumes, allowing the Horizon to improve forecasting over time and issue six-month-ahead volume updates every month.

Each of these enhancements provides the supply chain with greater fluidity and resilience, which is critical when confronting disruptions.

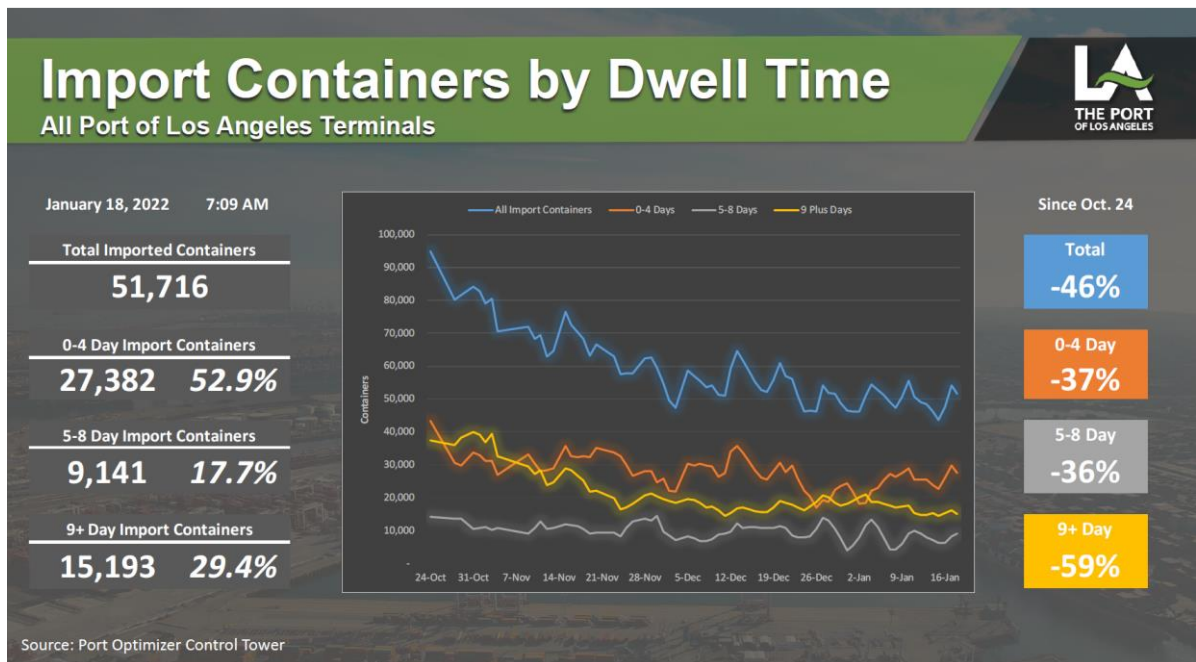
- **Container Dwell Time Fees and Empty Container Fees:** To improve cargo movement amid congestion and record volume, the ports of Los Angeles and Long Beach announced that it would consider assessing a surcharge to ocean carriers for import containers that dwell on marine terminals, known as the “Container Dwell Time Fee.” The ports would charge ocean carriers for each loaded import container that dwells nine days or more. After weekly evaluations, the fee has not yet been implemented due to the incredible progress made by cargo owners retrieving their goods. As of January 19, 2022, we have yet to collect one dollar from the fee and the two ports have seen a combined decline of 45 percent in aging cargo on the docks since the program was announced on October 25, 2021. The Port of Los Angeles has delayed enacting the fee on the import containers because import containers dwelling more than 9 days has been reduced by 60 percent since October 24, 2021.

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022



Due to the success of removing older containers from the docks since the Container Dwell Time Fee was announced, there has been an increase of empty containers being returned to terminals and occupying additional space which should be used for moving cargo off newly arrived vessels. To address this challenge, the Port is considering adopting an “Empty Container Fee.” The overall concept was presented to our Board on January 13 and the Port continues to work with industry stakeholders to refine the concept to as to avoid unintended consequences.

Lessons Learned

The coronavirus pandemic, and the subsequent cargo surge, has underscored the importance of a strong, fluid, efficient, and resilient supply chain. Breakdowns and delays can have

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022

catastrophic effects. Consequently, it is imperative that we engage in dialogue, like that of this hearing, to learn from our experience. There are three major lessons I would like to share with the Subcommittee:

- **Supply chain disruptions are global.** Since the start of the pandemic, countries around the world have faced similar disruptions we are experiencing here in the United States.
- **Federal support for supply chains must be developed with a solutions-oriented approach and with representation from all stakeholders.** For instance, the Biden-Harris Administration launched the Supply Chain Disruptions Task Force, which included a focus on transportation and logistics bottlenecks to the U.S. economic recovery. After meeting with local government leaders and companies to diagnose the problems and identify solutions, Port Envoy John Porcari was appointed in August to help drive coordination between several key stakeholders. Today, the Administration continues to convene with business leaders, port leaders, and union leaders three times a week to discuss the challenges we face across the country. As a result, we have found solutions that are addressing major concerns such as extended gate hours, container dwell time fees, etc.
- **Invest in System Resiliency and Adaptability.** The recently passed Infrastructure Investment and Jobs Act (IIJA) represents an opportunity to build resiliency and adaptability

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022

into our goods movement system. Based on our recent experience with supply chain disruption, we have identified the following key investment areas:

- *Workforce Resiliency:* Supply chain workers are essential workers. Ensuring an adequate supply of trained workers across the goods movement system is fundamental to system resiliency. Therefore, we have requested support for a Goods Movement Workforce Training Campus on Port of Los Angeles land. With a project cost of approximately \$150 million, the facility will be the first training campus in the U.S. dedicated to the goods movement industry. It is designed to attract new workers, address skill shortages, and provide opportunities for workforce up-skilling or re-skilling to help alleviate the workforce shortages contributing to the current supply chain disruption as well as address the rapidly changing needs of the industry. It will also be built with an eye towards a greener future and will be a resource for workers in the industry to train on zero emission (ZE) technologies.

- *System Resiliency:* Cargo support facilities are necessary to assist with operational challenges facing our marine terminals. Over the long term, we recommend permanent activation of an 80-acre site on Terminal Island to serve this purpose. To that end, we have requested support for a grade separation project with an estimated project cost of \$50 million that will provide unimpeded access to an 80-

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022

- acres site on Terminal Island. Currently, the site is enclosed by a loop of active and heavily used rail tracks limiting accessibility by truck or other equipment. Grade separation will open unimpeded access to this site and enable its use as a flex capacity space to assist with future cargo surges.
- *Reducing Environmental Impacts on Surrounding Communities:* Supply chain disruption and inefficiency lead to higher emissions of greenhouse gases and criteria pollutants, which is why solutions found in the *Climate Smart Ports Act* are important. Under our Clean Air Action Plan (CAAP), we have set a goal of achieving a 100% ZE trucks by 2035 and 100% ZE cargo handling equipment by 2030. Currently, we are developing a first-in-the-nation program to deploy ZE trucks in the near-term to handle cargo movement to destinations within a 25-mile radius. This will accelerate development and widespread adoption of ZE port trucks and concentrate air quality benefits in those impacted communities along major freight routes. We intend to support this program with port funds and ask you to consider partnering with us to fund ZE truck deployment and supporting infrastructure.
 - *Visibility and Supply Chain Optimization:* As we continue to meet with supply chain users and service providers, one consistent message is the need for timely and uniform sharing of information across the supply chain. Ports in the United States remain behind their international peers in this regard. We support continued

Eugene D. Seroka, Executive Director

Port of Los Angeles

Written Testimony to House Homeland Security Committee, Subcommittee on Border Security, Facilitation, and Operations

January 19, 2022

implementation of supply chain digitalization and interoperability. At the Port of Los Angeles, we are investing in this critical technology through our Port Optimizer system. The Port Optimizer digitizes maritime shipping data for cargo owners and supply chain stakeholders to improve system efficiency. It helps cargo owners bring their goods to market in a more predictable and timely manner. Expanding the use of the Port Optimizer within the Port of Los Angeles – and elsewhere – will provide real-time visibility and information to supply chain stakeholders as they seek to address the current backlogs.

- *Cyber Security Enhancement:* Greater reliance on digital infrastructure mandates that we enhance cyber security. Our objective is to move cargo uninterrupted and efficiently as possible. Recent events have underscored that our nation is susceptible to crippling cyber-attacks on our critical infrastructure. As the Subcommittee knows through its oversight work, the Port of Los Angeles has launched its own Cyber Resilience Center (CRC). Developed in collaboration with our industry stakeholders, the CRC will enable port community cyber-defense and serve as an information resource to assist in restoring operations following an attack. This center will allow for limited but vital information sharing for terminal stakeholders and is something that the Port believes will be instrumental to remain operational as cyber-attacks become more prevalent on global supply chain infrastructure.

**Eugene D. Seroka, Executive Director
Port of Los Angeles
Written Testimony to House Homeland Security Committee, Subcommittee on Border Security,
Facilitation, and Operations
January 19, 2022**

With that, I will conclude my remarks and I would be happy to address any questions. Thanks again for this opportunity.