

Port Volumes, Jobs Still on Decline

Business-Friendly Policies Will Help Revitalize Industry

Summary

Background

California is home to the nation's premier international container ports, including the major ports of Long Beach, Los Angeles and Oakland. Serving as a major economic engine for the state, all operations at the ports are privately funded by the fees from those who do business there. Maintaining the economic health of the ports and of port-related business activities is vital to the stabilization and eventual improvement of California's overall fiscal condition.

In 2008, California port facilities processed an estimated \$500 billion of goods. More than 40 percent of containerized imports enter the country through California ports, and nearly 30 percent of the country's exports depart through them. The far-reaching economic contributions of California ports to the regional economy include:

- The ports of Los Angeles and Long Beach generate more than \$10 billion in state and local tax revenues a year.
- Businesses that receive imports or ship exports through the Port of Los Angeles generate about \$12.1 billion and stimulate an additional \$5.5 billion in local industry indirect sales.
- Employees for businesses that receive imports or ship exports through the Port of Los Angeles spend about \$4.1 billion in the region.
- With more than \$100 billion of cargo moving through the Port of Long Beach every year, foreign and domestic shippers and steamship companies spend more than \$5 billion in the region.
- More than \$10 billion a year is spent on wholesale distribution services for goods imported through the Port of Long Beach.

California port activities also are responsible for employing more than a half-million people in the state. Nationwide, more than 2 million jobs are linked to California's public ports.

- The Port of Los Angeles generates 1.1 million jobs in California and 3.3 million jobs in the United States.
- Of those, more than 16,000 involve moving and handling maritime cargo, including trucking and warehousing jobs.
- The Port of Long Beach supports more than 315,000 jobs—about one in every 29 jobs—in Southern California. It provides some \$14.3 billion in regional wages and salaries annually.
- Statewide, Port of Long Beach activities support about 371,000 jobs.

Clearly, the ports and their associated trade activities are a critical piece of the state's economy and vital to maintaining California's fiscal health.

Current

Despite an overall increase in trade volume at California's major ports over the last decade, there has been a recent and significant decrease in container volumes due to the prolonged downturn in the economy. For the first nine months of 2009, imports, exports and empty containers through the Port of Los Angeles were down 16 percent at just under 5 million containers while the Long Beach port saw a decline of nearly 25 percent at just under 3.7 million containers, compared with the same period in 2008.

Facing the steepest declines in maritime trade on record, California ports are struggling to maintain their leading role amidst increasingly competitive trans-Pacific trade lanes and ports of entry. Ports outside of California are ramping up their efforts to snatch up California's trade gateway market share and its related benefits of job growth and economic activity.

In addition to these challenges, California ports are facing an ever-increasing array of state-specific regulations that continue to dull their competitive edge over their out-of-state counterparts. Policies that do not promote trade, that create regulatory inconsistency and ignore California's need for new trade-supporting infrastructure, act to prolong the economic hardships associated with reduced trade volumes.

For example, the table on the next page shows a variety of recent regulations that have been imposed on port-related operations by the California Air Resources Board (ARB). The aggregate costs amount to approximately \$5 billion in new expenses for ports and port-related businesses.

Port Volumes, Jobs Still on Decline (continued)

ARB Regulation	Effective Date	Cost to California Business
Cargo Handling Equipment	2007	\$71 Million
Commercial Harbor Craft	2009	\$140 Million
Oceangoing Vessel Cold-Ironing	2009	\$1.8 Billion
Oceangoing Vessel Fuel Use	2009	\$1.5 Billion
Port Drayage Trucks	2010	\$1.5 Billion
**	Total	\$5.011 Billion

Source: California Air Resources Board

Less port activity also has meant fewer jobs. Port-related employment in trucking, railroad work, longshoring, warehousing, logistics and maritime law declined steeply in 2009. The sharp downturn in trade activity has strained the financial health of companies with waterfront marine terminals in California ports, often forcing them to lay off workers. As a result, California is losing valuable economic activity and subsequent gains in state and local tax revenues amidst the one of the worst fiscal crises the state has ever faced.

Indeed, when California's ports were in heavier demand, the state had more jobs and more opportunities to invest in new infrastructure and the financial capacity to continue working to improve the environment. Now, with rates and volumes decreasing, the state has fewer jobs and fewer resources at its disposal to invest in its trade corridors and to meet its environmental objectives.

CalChamber Position

The California Chamber of Commerce believes that in order for California's ports to remain vibrant and competitive, state policymakers should focus on implementing policies that help restore port trade volumes to previous levels and incentivize economic growth and job creation. Improvements in infrastructure vital to goods movement can be appropriately financed with private funds through public-private partnerships. The California Legislature should work to improve opportunities for private firms to fund California's infrastructure by removing barriers to investment and creating opportunity for private firms and government to work together on important projects.

To make California's ports and trade infrastructure more competitive, the CalChamber supports the following policies:

- Balancing California's regulatory environment so it is reasonable, fair and workable to support California's continued trade competitiveness.
- Promoting public-private partnerships and immediate investment in trade-supporting infrastructure, which will spur new investment, create new jobs and reduce port-related emissions in a way that does not do further damage to the struggling economy.
- Help stabilize and improve the state and national economies through strategic trade-related policies.

Reasons for Position

- The health of California's ports has far-reaching economic implications, both regionally and statewide.
- Increased port activity translates directly into jobs and resources for needed infrastructure improvements.
- Out-of-state ports continually compete to lure trade activity away from California.

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