

*Prepared by the New Zealand Consulate-General in Los Angeles.*

## Summary

- President Biden has announced steps to make the Ports of Los Angeles and Long Beach operate 24/7 in an effort to reduce the current bottlenecks affecting the whole US supply chain.
- The Southern California ports continue to be a focal point of the supply chain crisis with an estimated 500,000 containers waiting offshore for an average of 11 days before being unloaded at the ports.
- The effects of this long-term supply chain disruption continue to impact the global flow of goods, causing increasing delays for New Zealand exporters. This disruption is expected to continue well into 2022.

## Report/findings

President Biden has announced actions being taken to increase the operating hours for the movement of goods to alleviate some of the supply chain congestion that is causing significant bottlenecks across the US and increasing delays for New Zealand exporters.

This announcement follows earlier actions by the Administration to address supply chain concerns, including the Supply Chain Disruptions Task Force launched in June, which included a focus on transportation and logistics bottlenecks, and the Executive Order on Promoting Competition that looked to address anti-competitive behaviours in the transportation industries. It also comes amid growing fears of a supply chain crunch that will impact the US's economic recovery and exacerbate the impacts already felt by businesses and consumers as they head into the busy holiday spending period. One of the biggest concerns is that the bottlenecks and shortages are sparking higher inflation, with the government announcing a rise in inflation in September, with consumers paying 5.4% more for goods and services compared with a year ago.

Southern California has been a focal point for the growing supply chain crisis as it is a major logistics hub for cargo from Asia. Approximately 40 percent of all US containerised cargo passes through the twin port complex at the Port of Los Angeles and Port of Long Beach. Congestion has been building throughout the year as the ports have been handling record levels of cargo, and the problem piling up is visible for all to see. There are currently 60 to 70 vessels, carrying an estimated 500,000 containers, idling off the California coastline. This is in addition to approximately 30 vessels berthed at any one time. The average wait time for vessels to find a berth at the Ports has stretched to just over eleven days.

To address the backlog, President Biden's announcement sees the Port of Los Angeles increase its operating hours to 24 hours a day, seven days a week in an effort to unlock capacity in the system. The shift will almost double the number of hours that the port is open for business from earlier this year. The President also secured a commitment by the International Longshore and Warehouse Union, which confirmed its members are willing to work the extra shifts.

It is worth noting that the Port of Long Beach had already made the change to extend its operating hours, and had been operating 24 hours daily for three weeks prior to President Biden's announcement. Port of Los Angeles did not follow suit at that time, with its Executive Director stating that the port could extend operating hours only if trucking, warehousing and other industries also moved towards 24-hour operations.

In an acknowledgement of the need for action in parts of the supply chain outside of the ports, President Biden has also secured commitments from some of the largest retail and shipping companies in the US, including Walmart, FedEx, UPS, Target, Samsung and The Home Depot, who have agreed to increase (by varying degrees) the use of off-peak hours to move their goods. The companies have made short-term commitments that the Administration is calling a '90-day sprint' to quickly troubleshoot and alleviate many of the bottlenecks in the lead up to the year-end. However, it is not yet clear what long-term commitments – if any – may be made.

Reports of the deal by the Administration have generally been positive with many commentators seeing extending working hours as the low hanging fruit to start addressing the problem. However, some commentators are sceptical of what impact these measures can have on the overall state of the supply chain. Multiple issues are contributing to the pile-up at the ports such as a truck driver shortage, container and chassis shortages, rail delays, warehousing constraints, and the disruption that the pandemic itself also adds to operations at a global level.

Leading industry commentators have noted that the level of disruption in the supply chain is on a level not seen since World War II and that it could be another 18 months before the congestion is alleviated. Others have also pointed out that port congestion is not just a West Coast problem, and referenced the Port of Savannah on the East Coast that has around 30 vessels currently anchored and waiting for berths.

Some experts consider there to be no easy or short-term solutions to the current crisis and while the problem is most visible at the ports, there are also significant delays once cargo leaves the port in getting through the system and finding enough warehousing space. All steps of the supply chain including warehousing need to work on the same schedule for a 24 hour port operation to be of help.

To provide a longer-term fix and address some of the inherent vulnerabilities in the global supply chain, some commentators have pointed to technology-based solutions. Specifically, the need to provide better information sharing, coordination and transparency between shippers, carriers, terminal operators and warehouses.

Despite the efforts announced to clear the bottleneck at the Los Angeles ports, commentators forecast that disruption in the supply chain is likely to continue well into 2022, and potentially beyond. It is not yet clear how much impact the measures announced by President Biden may have on the current delays exporters are facing, and we expect the high demand placed on airfreight as an alternative movement for goods to continue.

---

## More reports

View full list of market reports from MFAT at [www.mfat.govt.nz/market-reports](http://www.mfat.govt.nz/market-reports)

If you would like to request a topic for reporting please email [exports@mfat.net](mailto:exports@mfat.net)

## To contact the Export Helpdesk

Email [exports@mfat.net](mailto:exports@mfat.net)

Call 0800 824 605

Visit [Tradebarriers.govt.nz](http://Tradebarriers.govt.nz)

## Disclaimer

This information released in this report aligns with the provisions of the Official Information Act 1982. The opinions and analysis expressed in this report are the author's own and do not necessarily reflect the views or official policy position of the New Zealand Government. The Ministry of Foreign Affairs and Trade and the New Zealand Government take no responsibility for the accuracy of this report.