West Coast Ports Generate $2 Trillion in Economic Value for U.S., But Congestion in SoCal and Terminal Expansion at East and Gulf Coast Ports Threaten Long-Term Growth

New research shows that while future port expansion could attract West Coast volumes, ports on the East and Gulf coasts currently lack capacity for cargo diversion from the San Pedro Bay should disruptions occur during contract talks

LOS ANGELES (May 5, 2022) – U.S. West Coast ports generate nearly $2 trillion a year in economic value nationwide, but congestion in Southern California due to record-high container volumes, coupled with growing capacity at East and Gulf Coast ports, has accelerated the diversion of Asian cargo away from the West Coast, threatening to weaken the powerful economic engine long-term, according to new research by noted maritime economist John Martin, PhD.

Two new reports by Martin Associates, commissioned by the Pacific Maritime Association, highlight the economic impact of West Coast ports and the long-term threat to the Ports of Los Angeles and Long Beach, the nation's largest port complex, unless they can increase terminal capacity and container throughput.

In the near term, however, Atlantic and Gulf Coast rivals themselves have become congested and have little spare capacity due to the sharp rise in cargo diverted from U.S. Pacific ports. Thus, any disruptions by West Coast longshore workers during upcoming contract negotiations would re-aggravate supply-chain congestion and harm the U.S. economy.

In 2021, cargo and vessel activity at West Coast ports supported more than 12 million jobs and accounted for 37% of all imports to the U.S., Martin Associates found in its economic impact report. This activity supported $113.5 billion in federal tax revenue, in addition to $43.1 billion of state and local tax revenues nationwide. However, this impact on American jobs and businesses faces significant headwinds in the years ahead if the ports fail to add capacity, researchers found.

According to a separate new Martin Associates report on cargo diversion, the gradual erosion of West Coast ports' traditional competitive advantages could significantly worsen if capacity restraints are not addressed, negatively impacting workers, businesses, and consumers supported by the 29 maritime gateways stretching from California to Washington state.

Record container volume of 20 million Twenty-Foot Equivalent Units at Los Angeles and Long Beach in 2021 increased the average container dwell time (the length of time a container remains at a port terminal) to 8.4 days in November 2021, compared to the historical average of 3.3 days, contributing to an unprecedented backlog of vessels waiting to reach berth. These delays had a striking impact: by the end of 2021, container transit time from China to the Port of New York and New Jersey was 12 days faster than to the San Pedro Bay ports -- a stark reversal of the hallmark speed that Southern California has long offered due to its relative proximity to Asia.

A key bottleneck was the scarcity of warehouse space in Southern California. Driven by the rise in e-commerce, warehouse vacancy fell to less than 1% in the fourth quarter of 2021. But Martin also cited other factors in the growing appeal of East and Gulf Coast ports: greater fluidity and lower costs in processing containers and getting them into the supply chain; investments in terminal modernization and expansion in ports such as New York, Norfolk, and Savannah; as well as the anticipation of labor disruptions on the West Coast.

The cargo diversion report concludes, "In order to avoid a continual loss of market share to the Atlantic and Gulf Coast ports, it is critical that San Pedro Bay port terminal capacity be expanded to handle future growth, which can be accomplished through increased densification and efficiencies, given the limited availability of land for terminal footprint expansion, and disruptions to terminal operations leading up to and during the 2022 contract negotiations be minimized."

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