

COVID-19 Pandemic Lockdowns Caused Jams at California Ports

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If you go down to the coast in Southern California and look out to sea, you easily can spot dozens of container ships stuck waiting to move into port and unload their goods.

The Wall Street Journal headlined, “Cargo Piles Up as California Ports Jostle Over How to Resolve Delays.” Subhead: “U.S. shipping operations remain clogged as ports, truckers and warehouses can’t find enough workers or agree on 24/7 operations.”

This happens now and again over the years when port unions go on strike. This time there’s a different cause: Supply disruptions from the COVID-19 lockdowns last year, and potential new lockdowns.

“It’s going to take a long time to clear up, even with everybody back to work,” Randal O’Toole told me; he’s a Cato Institute Senior Fellow working on urban growth, public land and transportation issues.

He gave this analogy: You’re driving on the freeway, with traffic flowing freely at 60 mph. Then it goes bumper-to-bumper. You never even saw the cause of the slowdown. But somebody ahead of you had to slow down—maybe to avoid a rabbit jumping in front of a car. That first car was going 60 mph, but slowed to 59 mph. Then the car behind it had to slow to 58 mph. The third car to 57 mph. And so on.

“Everybody’s all jammed up,” he said. “But eventually it clears up. That’s what happened to ports.”

Last year, the COVID-19 lockdowns caused people to cut back on spending, so fewer imports were needed coming into the ports. With the lockdowns largely over (we hope), demand has soared, but the ports' top capacity has not expanded. So the container ships remain offshore, waiting to sail into the ports and slack the increased demand.

It's similar to the problem with rental cars. During Peak COVID in 2020, rental companies were practically giving cars away. Hertz went bankrupt, but Avis "tried harder" (as its old ad used to put it), and didn't. Most rental companies dumped large numbers of vehicles on the rental market.

Now, rental car prices have "skyrocketed," according to Detroit News, "as the pandemic causes supply shortages." Cars Direct reported, "Used Car Prices May Not Normalize Till 2024."

California isn't the only area hurt by port problems. The Port of New Orleans reopened Sept. 2 after being closed for three days during Hurricane Ida. Business Insider reported Sept. 26, "Dozens of cargo ships stuck waiting off New York's coast amid port staff shortages and surging demand for goods."

Infrastructure Bill

The \$3.5 trillion infrastructure bill—itsself causing congestion, in this case in Congress—could provide some future relief. Final numbers, including the total, are undetermined. But on Sept. 30, Transportation Topics wrote, "Specifically, the budget reconciliation bill would dedicate \$2.5 billion to the Maritime Administration for supply chain resilience, congestion reduction and development of offshore wind infrastructure at ports, among other enhancements."

However, O'Toole cautioned that Congress has a habit of spending money on the wrong thing.

"The whole impetus for the infrastructure bill is we supposedly have a crumbling infrastructure," he said. "That's largely not true. Private infrastructure largely is in good shape. What's in bad shape is tax-supported infrastructure. Members of Congress want new infrastructure, not the maintenance of existing infrastructure."

On the port money, he said, "I suspect a lot of that money will be going to ports along the Gulf Coast. Because the expansion of the Panama Canal has allowed a lot of shipping going, instead of to the West Coast, to Ft. Lauderdale or New Orleans. Those places will be asking for money for port expansion."

From 2009 to 2016 the new Panama Canal project, called the Expanded Canal, greatly increased the size of container ships it could handle. That allowed greater shipping to flow directly from Asia to the East Coast of the United States, avoiding the West Coast and transshipment across the continent.

The Expanded Canal intensified competition between West Coast ports and those on the East Coast.

Aftermath

O'Toole said the best solution would be to shift from government-run transportation projects, such as airports and seaports, which depend on tax money, to private facilities depending on user fees. Private facilities must keep up their infrastructure to maintain customer satisfaction. America's mostly government-run airports have become so rundown they've become an international embarrassment.

But privatization is something for the future. For now, the ships at sea waiting for a port are another COVID-19 aftermath.