

Making California Ports More Competitive Can Help Regional, State Economies

Summary

Background

California is home to some of the largest container ports in the world, including the first and second largest ports in the United States in terms of container traffic. The economic impact of these ports—which include the ports of Los Angeles, Long Beach and San Francisco—reaches beyond their home regions. Operations at these ports are managed by public entities and funded privately through fees paid by those who do business there.

International trade accounts for 25% of the overall state economy and the Southern California ports are responsible for 40% of the nation's imports. The Port of Los Angeles alone is responsible for 1.1 million state jobs and 3.3 million jobs nationwide; it generates \$5.1 billion in state tax revenues and \$21.5 billion in federal tax revenues. According to the Port of Los Angeles, for every dollar spent by port industries, another 97 cents is generated in indirect and induced sales in the region. Hence, maintaining the economic health of these ports is a vital component in improving California's overall fiscal condition.

The economic downturn beginning in 2008 significantly affected cargo volumes and subsequently revenues at the container ports. The national export levels have since started to recover since they plunged in late 2008 and early 2009. By December 2010, exports had reached nearly \$140 billion as compared to \$125 billion in early 2009, still striving to reach pre-recession levels of nearly \$160 billion.

In California, the Port of Long Beach saw a decline in its shipments volume. Imports from Asia dropped by 20.8% in October 2011 and exports bound for Asia declined by 21.4% compared to one year earlier. Total cargo processing at the Port of San Francisco demonstrated a declining trend as well with processing of nearly 760,000 metric tons of cargo in 2010 compared to 912,000 in 2009 and more than 2 million in 2005. A struggling trade sector, competition from other ports and the opening of the expanded Panama Canal in 2014 underscore the need for redevelopment projects that would improve operations at California ports.

Investing in Infrastructure

To compete with expanded and renewed ports in the United States and around the world, California ports have invested in redevelopment projects to improve efficiency and reduce emissions.

The Port of Long Beach, which celebrated its 100th year of service in 2011, started a nine-year, \$1 billion redevelopment project to convert two of its aging shipping terminals into a world-class facility. The port has started a campaign to bring in capital investment to finance upcoming infrastructure projects and plans to be financially self-sufficient by 2016.

The Port of Los Angeles has embarked on a \$22 million project to rehabilitate a main surface street truck route that starts in San Pedro and Wilmington. In addition, the port entered the final phase of a \$370 million dredging project that deepens its main channel. On the cruise lines front, in February 2011 the Port of Los Angeles became the first port in the world to provide Alternative Maritime Power™ (AMPTM) to three cruise lines. The technology eliminates ship exhaust when ships are at berth, and improves air quality in the Los Angeles region.

In Northern California, the Port of San Francisco also entered planning to develop Pier 27 for cruise ships. The recent expansion of its repair shipyard at Pier 70 has resulted in a 28% increase in its cruise ships repair business. Moreover, to improve its cargo capacity, the port will invest in developing a bulk shipping facility at the vacant container terminal at Pier 96 to take advantage of the recent demand for bulk export facilities—particularly for iron ore. Meanwhile, the port continues to improve and expand its port rail infrastructure.

Environmental Stewardship

California ports have shown tremendous leadership in taking the initiative to implement projects that reduce emissions and improve regional air quality. The Port of Long Beach has adopted a Green Port Policy under which its new buildings will meet at least the silver-level of the Leadership in Energy

and Environmental Design (LEED) standard. The Port of Los Angeles recently completed its World Cruise Center Solar Rooftop Project. This solar powerhouse will generate 1.2 million kilowatt hours of electricity each year and reduce emissions by 22,800 CO₂ tons.

To renew their commitment to improved air quality, the ports of Los Angeles and Long Beach approved an updated version of their Clean Air Action Plan (CAAP). This measure includes strategies to reduce pollution generated by ships, trains, trucks and other machinery used at the ports.

CalChamber Position

The California Chamber of Commerce supports policies that result in improved trade volumes, increased employment, and enhanced economic growth. Improvements in infrastructure will ensure that the state's ports remain vibrant and competitive. California lawmakers should focus on policies that improve public-private partnerships to invest in port infrastructure and remove unnecessary regulatory barriers to growth.

The CalChamber supports the following policies in order to make California ports more competitive:

- A fair, balanced, workable regulatory environment;
- An enhanced public-private partnership for immediate investment in trade-supporting infrastructure;
- Strategic trade policies that stabilize and improve state and national economies.

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