

ACTA Governing Board

August 14, 2008



ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Item 12

**Port Volume Changes;
U.S. Economy Effects vs. Diversion**



West Coast Trends

Alameda Corridor Transportation Authority
August 14, 2008

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Keypoints

- ◆ **The 9% decline in container imports to San Pedro Bay ports in the first half of 2008 is partly due to regional/national economic conditions, but more than half is likely due to diversion of discretionary cargo.**
- ◆ **It is premature to conclude that the diversion component is due to future infrastructure and environmental fee proposals.**
- ◆ **Other factors likely account for most of the diversion, they include:**
 - **Increases in long-haul intermodal rail rates, in part to support on-going capital investments in capacity**
 - **Increased Canadian capacity through Prince Rupert and Vancouver**
 - **Increased utilization of Panama/Suez Canal alternatives to East & Gulf Coast**
- ◆ **The double-digit growth in exports has largely offset declines in imports.**
- ◆ **Moving back to trend in late 2008, but outlook is weak through 2011.**

Scorecard

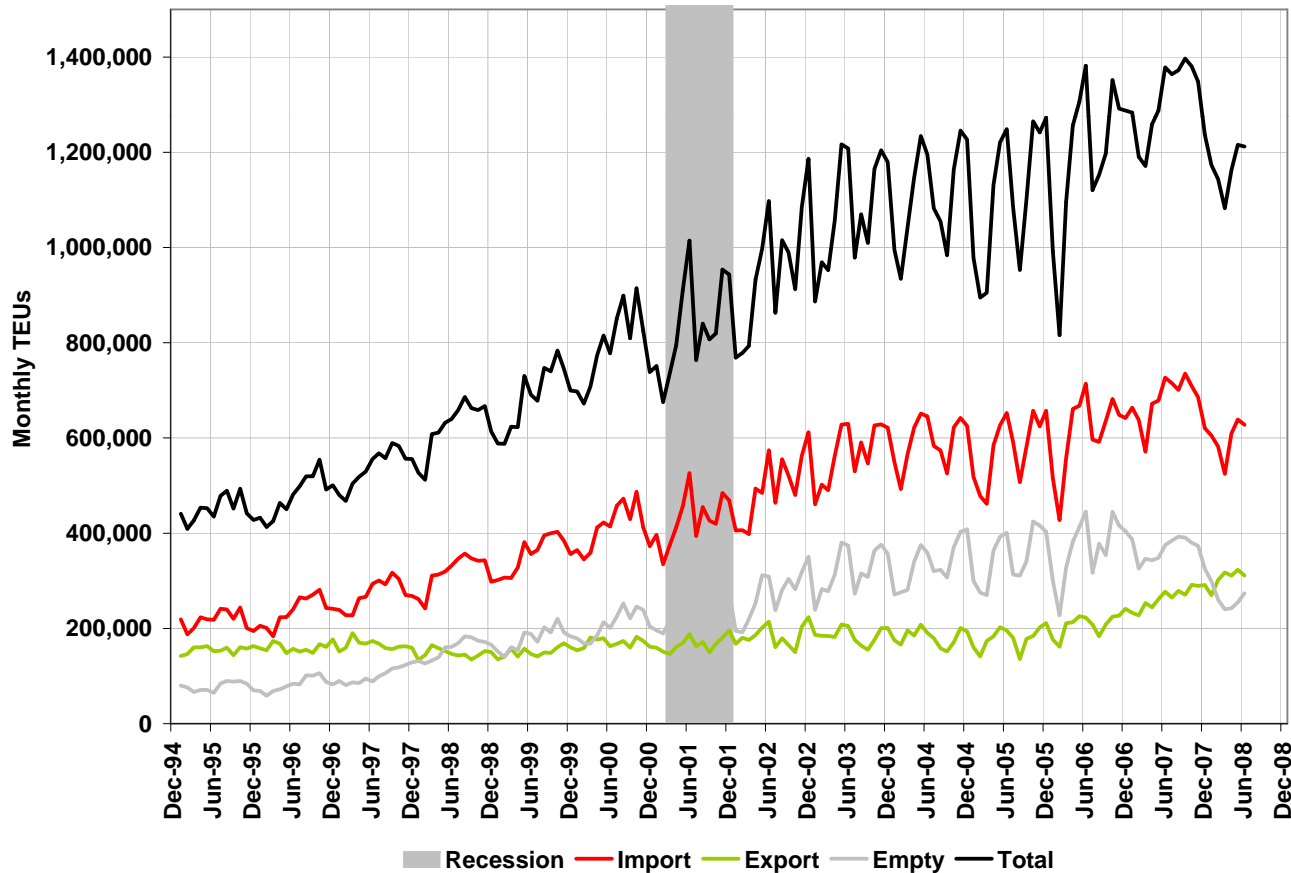
- ◆ TEU volumes have declined at the major US west coast ports by 6.5% during the first half of 2008 compared to the same period in 2007.

	SPB	Oakland	Sea-Tac	Portland	West Coast	US
2006	15,759,218	2,390,262	4,054,546	214,484	22,418,510	40,522,265
2007	15,667,504	2,388,182	3,898,439	260,128	22,214,253	41,142,310
% Change	-0.6%	-0.1%	-3.9%	21.3%	-0.9%	1.5%
2006 Share	70.3%	10.7%	18.1%	1.0%		
2007 Share	70.5%	10.8%	17.5%	1.2%		
H1 2007	7,569,647	1,144,268	1,467,283	124,981	10,306,279	
H1 2008	6,988,905	1,117,621	1,403,708	123,752	9,633,986	
% Change	-7.7%	-2.3%	-4.3%	-1.0%	-6.5%	
H1 2007 Share	73.4%	11.1%	14.2%	1.2%		
H1 2008 Share	72.5%	11.6%	14.6%	1.3%		

- ◆ Over the same period, Port of New York and New Jersey loaded containers were up 5.2% and total volumes at Savannah was up 6.8%.
- ◆ Despite suffering the largest decline in volumes, San Pedro Bay ports retain a better than 70% share of West Coast volumes.

San Pedro Bay Volume Trends

- ◆ During the first half of 2008 compared to the same period in 2007, Total volumes at San Pedro Bay ports have declined by 580,742 TEUs:
 - Empty containers decline by 554,301 TEUs (-26%)
 - Imports declined by 363,681 TEUs (-9.2%)
 - Exports increased by 337,240 TEUs (+22.5%)



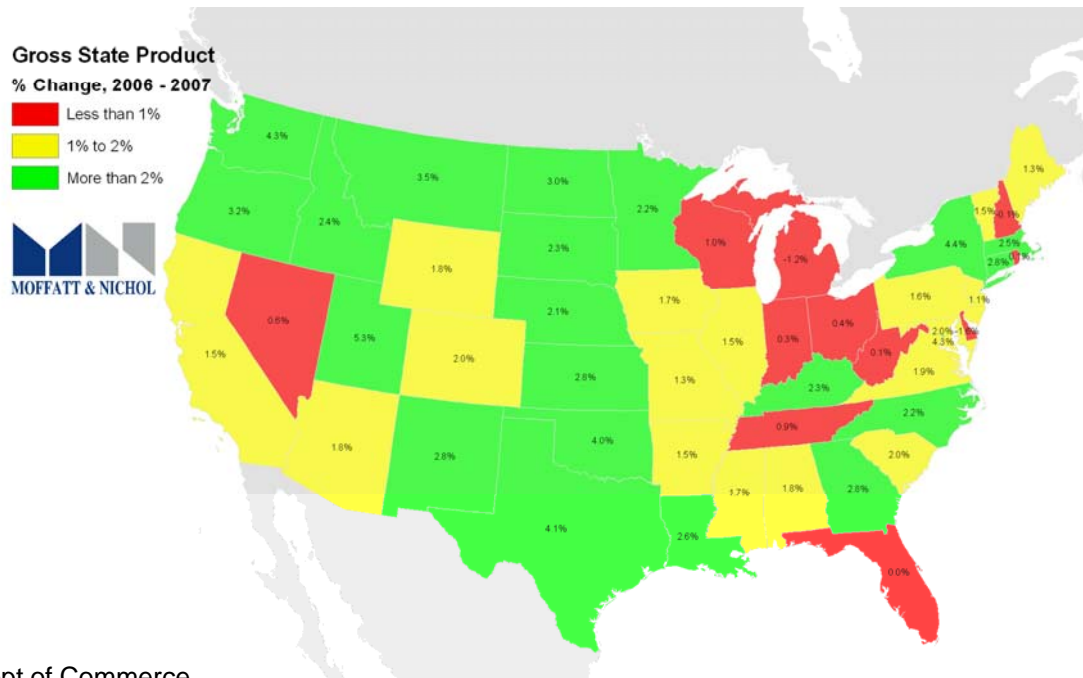
Source: Port of Los Angeles, Port of Long Beach

Housing and Autos Dampened US Economic Growth

- ◆ The 17% decline in residential investment reduced GDP growth in 2007 by 1%

Measure	Year on Year Growth				Contributions to Real GDP Growth			
	2005	2006	2007	Average 1981-2007	2005	2006	2007	Average 1981-2007
Gross domestic product	3.1%	2.9%	2.2%	3.1%	3.1%	2.9%	2.2%	3.1%
Personal consumption expenditures	3.2%	3.1%	2.9%	3.4%	2.2%	2.2%	2.0%	2.3%
Gross private domestic investment	5.6%	2.7%	-4.8%	4.3%	0.9%	0.5%	-0.8%	0.6%
Fixed investment	6.9%	2.4%	-2.9%	3.9%	1.1%	0.4%	-0.5%	
Nonresidential	7.1%	6.6%	4.8%	4.5%	0.7%	0.7%	0.5%	
Residential	6.6%	-4.6%	-17.0%	3.2%	0.4%	-0.3%	-1.0%	
Net exports of goods and services					-0.2%	-0.1%	0.6%	-0.3%
Exports	6.9%	8.4%	8.0%	5.7%	0.7%	0.9%	0.9%	
Imports	5.9%	5.9%	1.9%	7.2%	-0.9%	-1.0%	-0.3%	
Government expenditures and gross investment	0.7%	1.8%	2.0%	2.2%	0.1%	0.4%	0.4%	0.4%

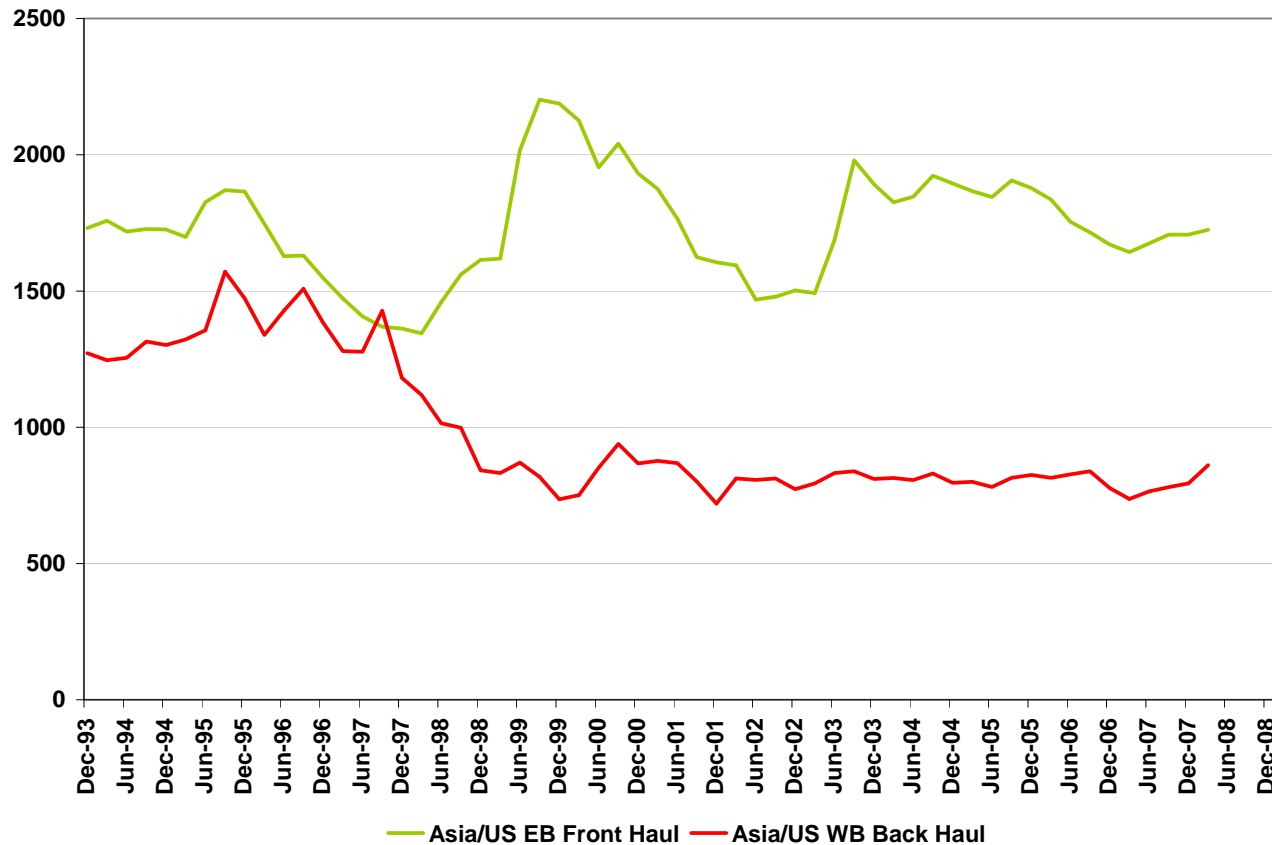
- ◆ The Southwest and the Midwest had below average growth in 2007



Source: Dept of Commerce

Trans-Pacific Freight Rate Indexes

- ◆ Eastbound ocean rate between Asia and North America have been largely flat for 4~5 years.
- ◆ Recently, Westbound/back haul rate increases (Exports) have supported the higher fuel costs faced by liners . . . and kept Eastbound/front haul rates stable.

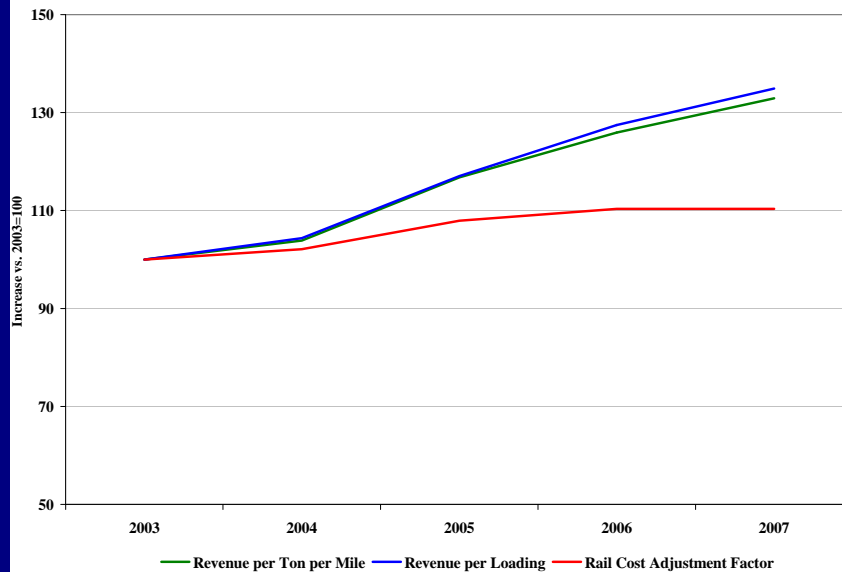


Source: Containerisation International

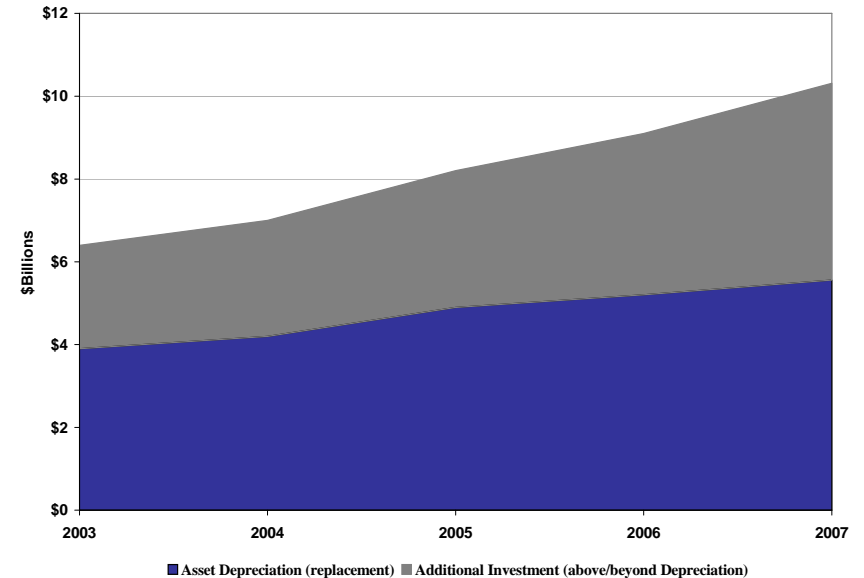
Revenue per Ton-Mile \Leftrightarrow Capital Expenditures

- ◆ Railroad pricing environment has been strong; Rates have increased faster than the industry's Cost Adjustment Factor.
- ◆ Railroads point out that 1980-2000 were years of real-cost decreases in rail transportation and that only now are they beginning to earn their "cost of capital."
- ◆ Strong revenues and future expectation of same encourages private investment in new infrastructure (e.g., ICTF expansion, SCIG, Sunset Route, Cajon Pass, etc.).

Railroad Operating Revenues versus Costs



Railroad Investment Beyond Depreciation



Rail Movement of Containers from the West Coast

- ◆ Rail movements of containerized goods from the west coast to the east coast have dramatically decreased from Q1 '07 to Q1 '08

Regional Movement of Containers

Direction	2007 YTD	2008 YTD	Change	Growth
NW => NE	37,949	26,672	-11,277	-29.7%
NW => MW	251,050	245,133	-5,917	-2.4%
NW => SC	7,883	6,967	-916	-11.6%
NW => SE	13,242	9,015	-4,227	-31.9%
NW Totals	310,124	287,787	-22,337	-7.2%
SW => NE	119,878	86,054	-33,824	-28.2%
SW => MW	576,431	550,918	-25,513	-4.4%
SW => SC	423,174	401,462	-21,712	-5.1%
SW => SE	268,184	230,395	-37,789	-14.1%
SW Totals	1,387,667	1,268,829	-118,838	-8.6%
WC => NE	157,827	112,726	-45,101	-28.6%
WC => MW	827,481	796,051	-31,430	-3.8%
WC => SC	431,057	408,429	-22,628	-5.2%
WC => SE	281,426	239,410	-42,016	-14.9%
WC Totals	1,697,791	1,556,616	-141,175	-8.3%

Notes: SouthEast - AL FL GA MS NC SC TN SouthCentral - TX, NM, OK, AK & LA SouthWest - CA, NV & AZ NorthWest - OR & WA
 MidWest - IL, IN, IA, KY, KS, MI, MN, MO, OH & WI NorthEast - CT, DC, DE, ME, MD, MA, NH, NJ, NY, PA, RI, VT, VA & WV

- ◆ These trends cannot be completely explained by Midwest and Mid Atlantic economic weakness

Keypoints

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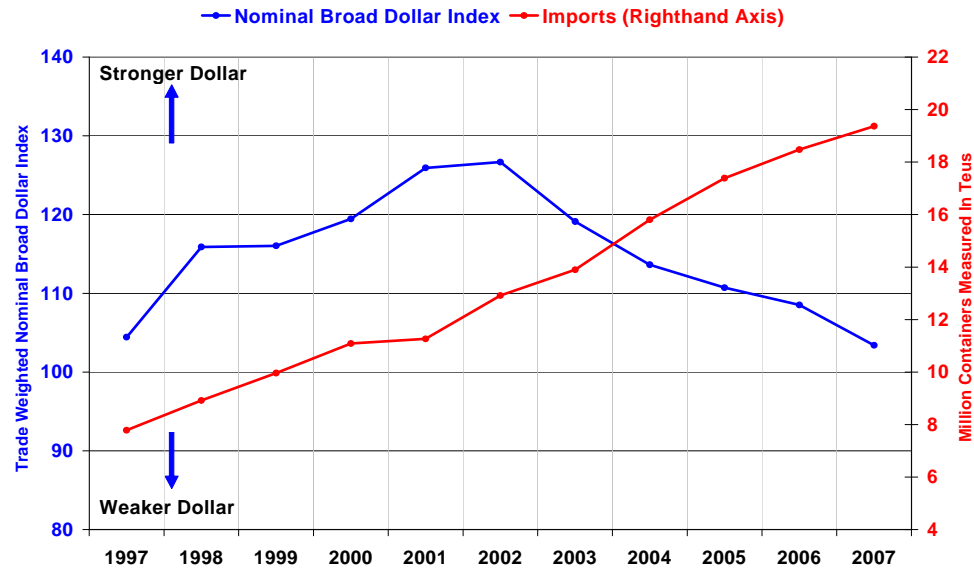
Appendix

US Exports Grew Faster Than Imports in 2007

These charts compare Trade Weighted Dollar Index and US international container trade trends.

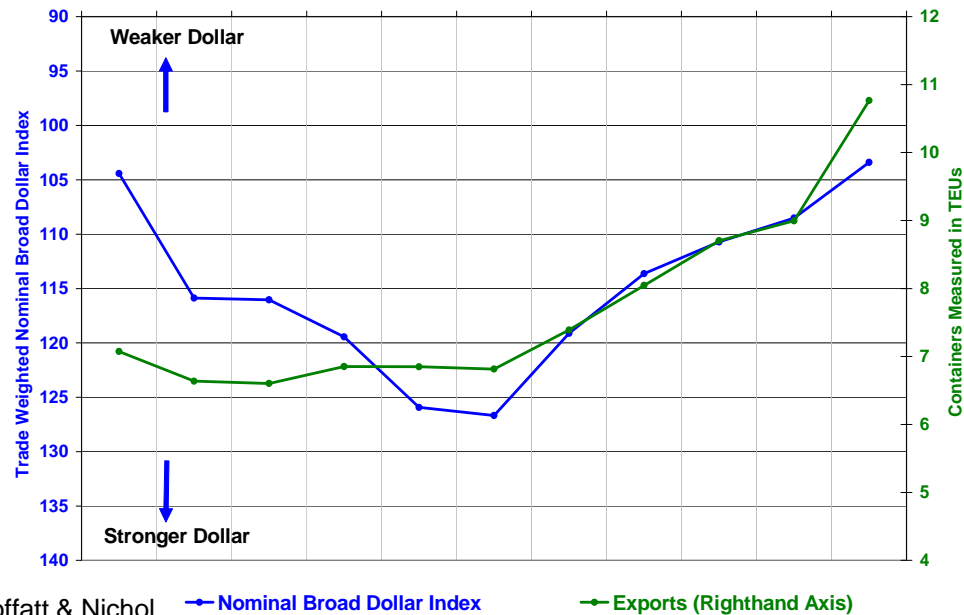
Imports and the Dollar

US container imports are not correlated with dollar trends because the main source of container volume growth, Asia, pegs its currency to the US dollar.



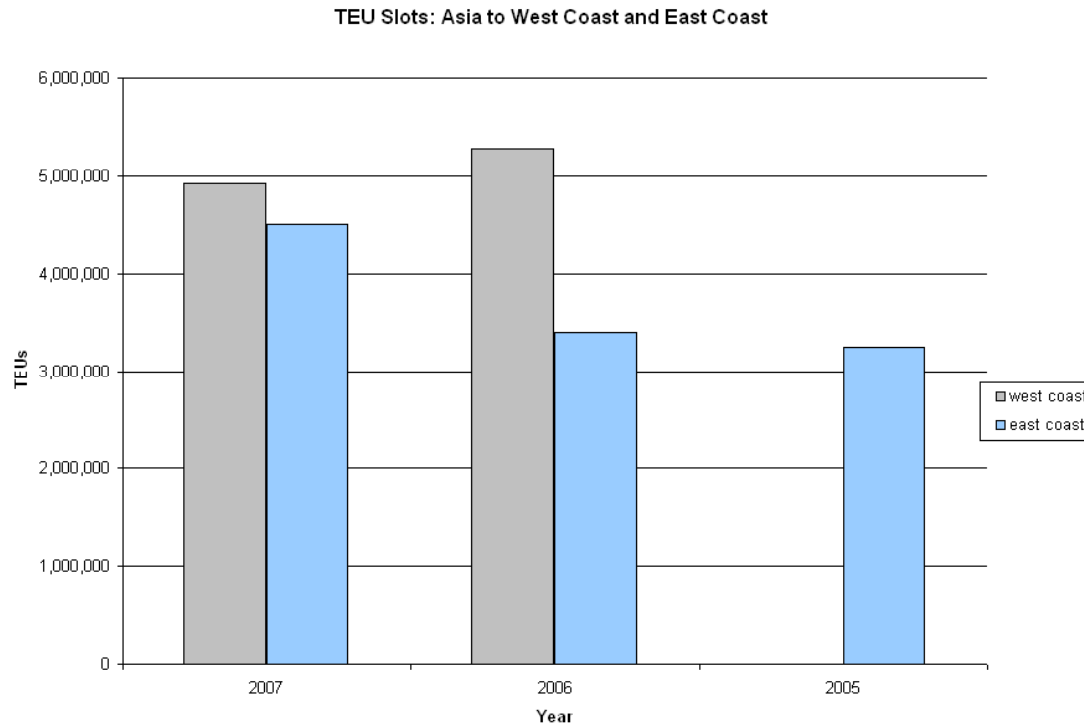
Exports and the Dollar

US exporters compete in a global market place. When the dollar weakens, containerized exports increase and vice-versa.



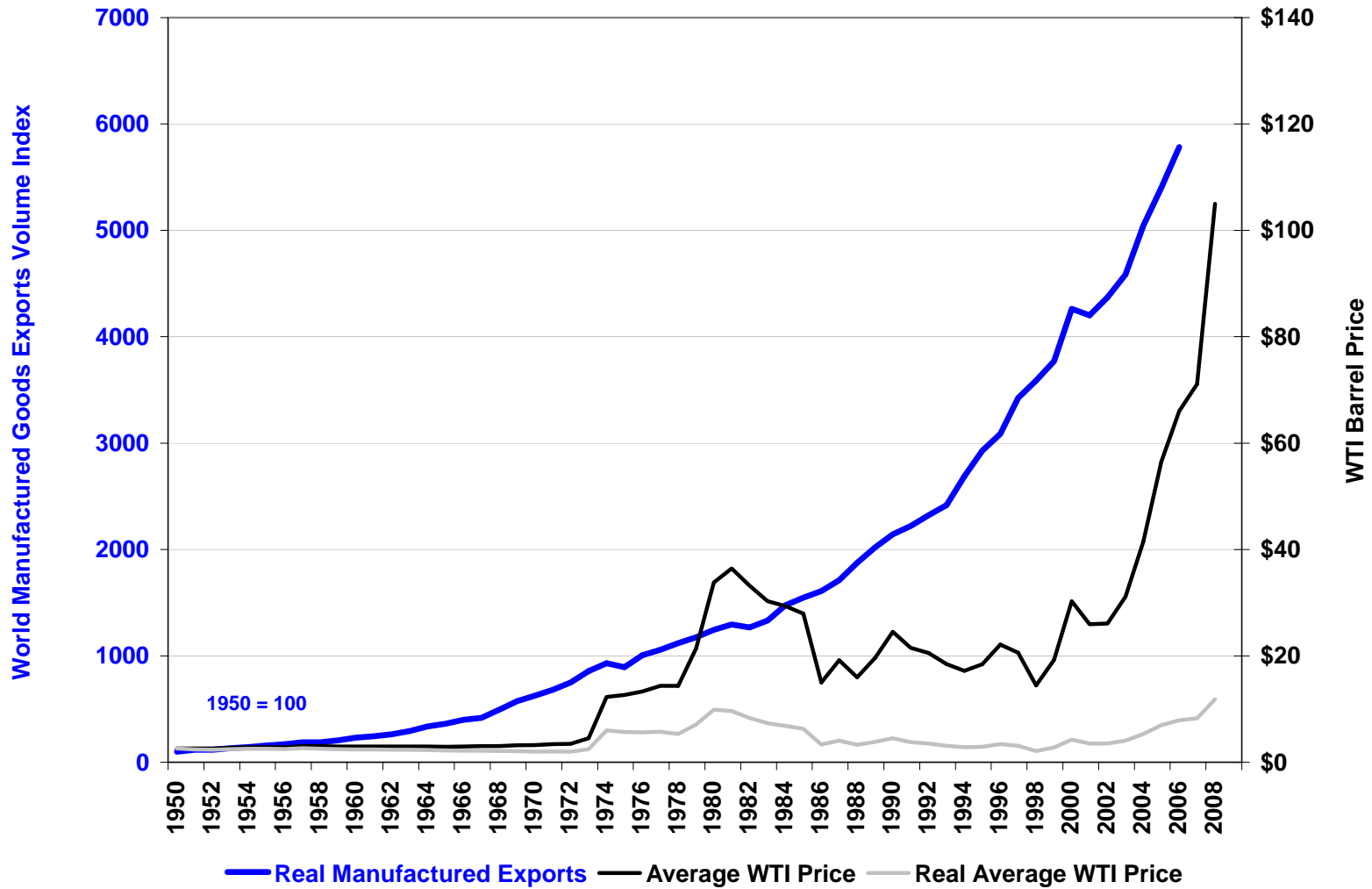
All Water TEU Slot Capacity Has Increased

- ◆ TEU slots from Asia to the US East Coast have been trending upwards over the past few years.
- ◆ The decrease seen in 2007 West Coast slots is a result of the shift of tonnage away from Asia-US routes, and onto the more profitable Asia-Europe trades where demand for containerized slot space has been higher.
- ◆ Slot trends reflect higher GDP growth in Europe than in the US. Europe grew 3% in 2007, while US GDP decelerated from 4% in Q3 2007 to 1.6% in Q4 2007 to 1% in the first quarter of 2008. Import demand is driven by income (GDP), therefore import containers into Europe have been growing faster. Shipping lines have reacted to this slowdown and have reallocated Asian capacity accordingly.



Source: Lloyd's, PIERS, Moffatt & Nichol

Oil Price Trends Have Not Been Correlated With “Globalization”



Source: WTO, US Department of Energy, Moffatt & Nichol



Item 14

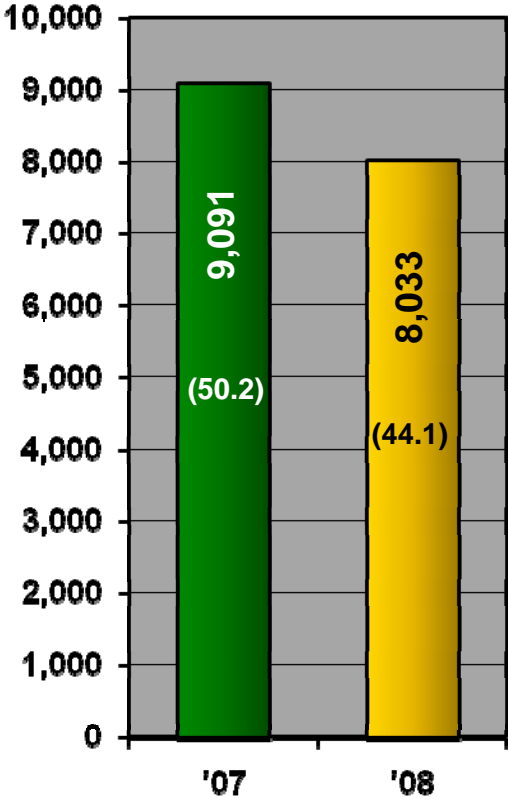
Performance Comparison



6 Month Performance Comparison Jan thru June '07 vs. '08

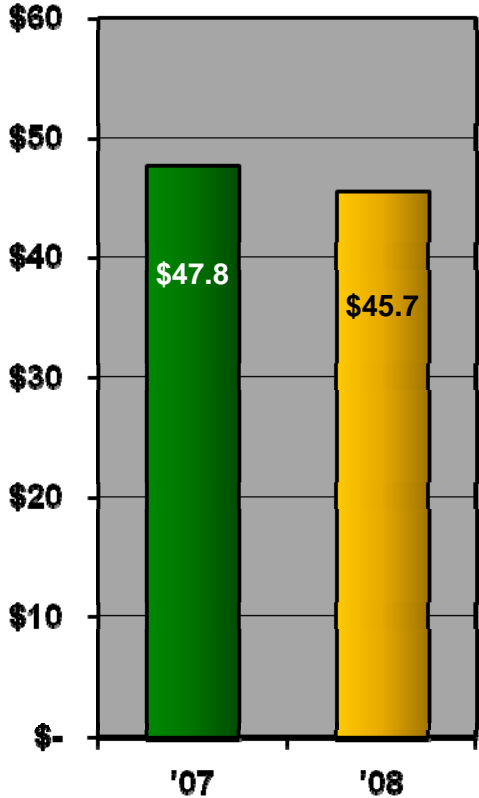
Number of Trains

-11.6%



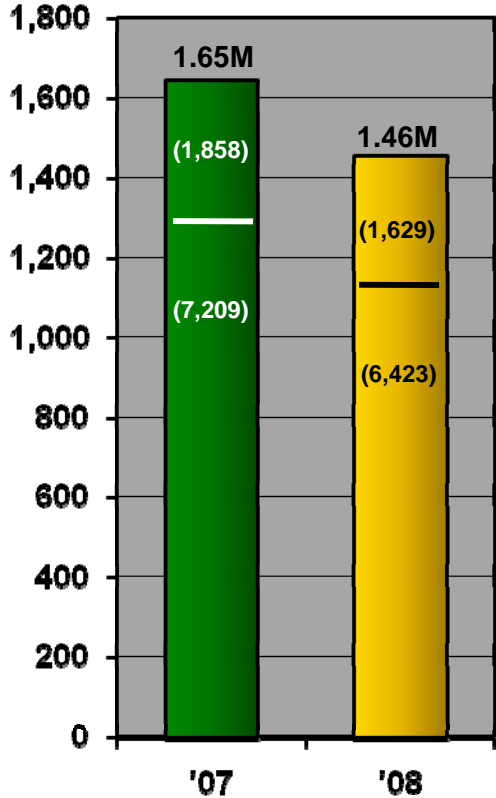
ACTA Revenue *

Millions - 4.4%



Containers *

Thousands - 11.2%



Note: Numbers in () = Daily Average
* (Railroad Self Assessed)

Top: Trucked Around Corridor
Bottom: Uses Corridor

Top: Trucked Around Corridor
Bottom: Uses Corridor

Container Volume Trend January-June 2008

Type	Ports	ACTA *
Import	- 9.2 %	- 15.3 %
Export	22.5 %	12.9 %
Total Loaded	- 0.5 %	- 6.7 %
Empty	- 26.1 %	- 46.7 %
Total	- 7.7 %	- 11.7 %

* Waterborne containers paying use fee or container charge.

Performance Comparison

June '08 vs. '07, CY08 & FY08 Year to Date

Operations

	'08	'07	Change
Trains (Daily)	1,341 (44.7)	1,540 (51.3)	- 12.9 %
Calendar Year to Date	8,033 (44.1)	9,091 (50.2)	- 11.6 %
Fiscal Year to Date	16,779 (45.8)	19,529 (53.5)	- 14.1 %

Railroad Self-Assessment Revenue

	'08	'07	Change
Revenue	\$7.5 M	\$8.1	- 8.2 %
Calendar Year to Date	\$45.7 M	\$47.8 M	- 4.4 %
Fiscal Year to Date	\$94.0 M	\$95.2 M	- 1.2 %

Performance Use Fees & Container Charges

June '08 vs. '07, CY08 & FY08 Year to Date

Operations – On Corridor (Use Fees)

	'08	'07	Change
TEU's *	353,111 (6,539)	403,156 (7,466)	- 12.4 %
Calendar Year to Date	2,103,794 (6,422)	2,361,550 (7,248)	- 10.9 %
Fiscal Year to Date	4,481,458 (6,802)	5,037,448 (7,667)	- 11.0 %

Operations – Around Corridor (Container Charges)

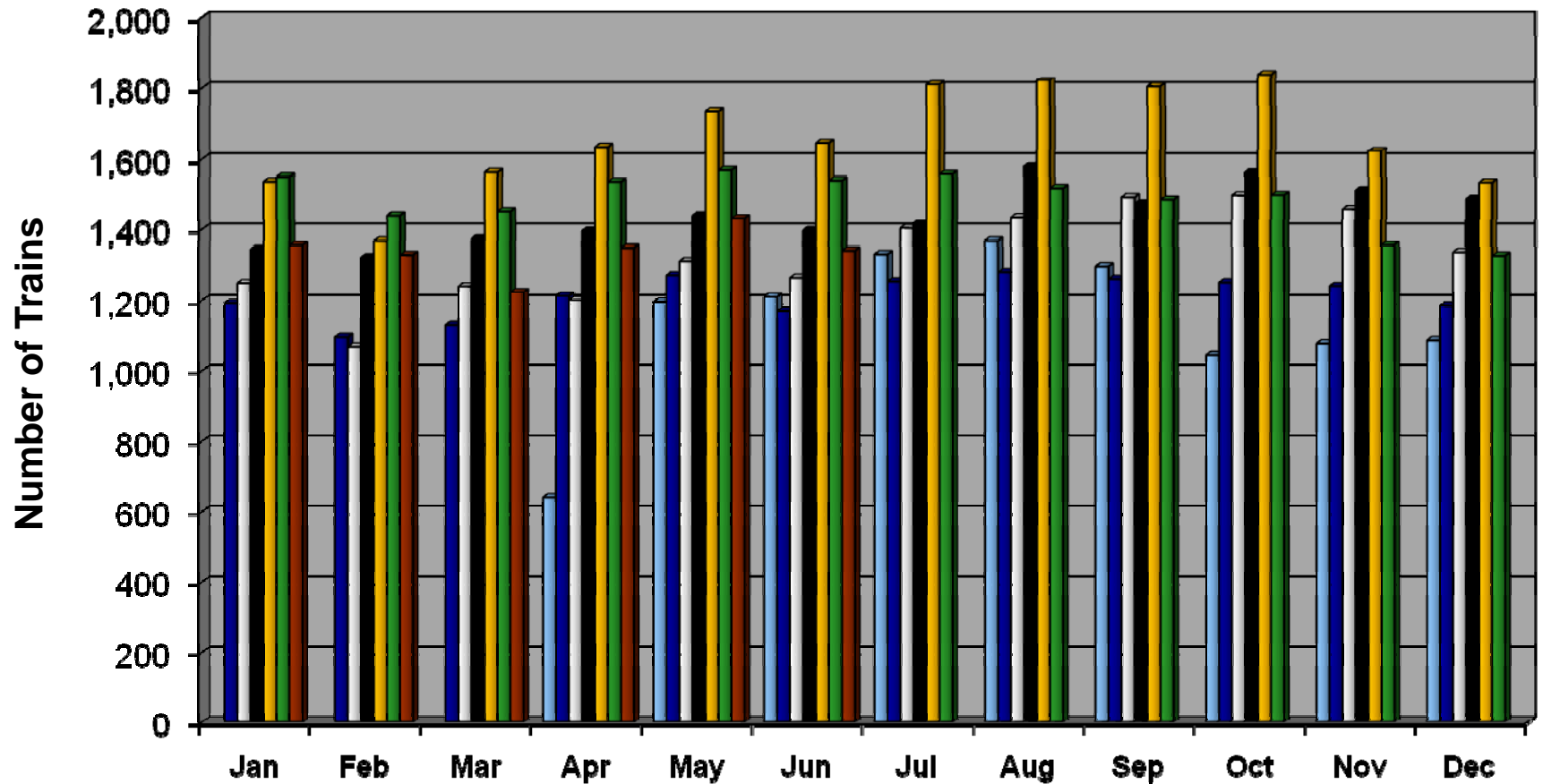
	'08	'07	Change
TEU's *	85,869 (1,590)	102,747 (1,903)	- 16.4 %
Calendar Year to Date	533,672 (1,629)	608,875 (1,869)	- 12.3 %
Fiscal Year to Date	1,140,853 (1,732)	1,205,832 (1,835)	- 5.4 %

Operations – Combined

	'08	'07	Change
TEU's *	438,980 (8,129)	505,903 (9,369)	- 13.2 %
Calendar Year to Date	2,637,466 (8,051)	2,970,425 (9,117)	- 11.2 %
Fiscal Year to Date	5,622,311 (8,534)	6,243,280 (9,503)	- 9.9 %

* Note: Numbers in () are the Average Daily Containers, Daily TEU's ÷ 1.8 = Containers.

Alameda Corridor Train Counts



Average number of trips per day in							2002	2003	2004	2005
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	2006	2007	2008	
39	40	44	47	55	49	44				

Use Fees & Container Charges

as of June 30, 2008

