



The California Trade Coalition

A Coalition Working to Keep California Competitive in a Global Economy

American Chemistry Council

APL Ltd.

Associated General
Contractors of California

California Association
of Port Authorities

California Business
Properties Association

California Business
Roundtable

California Chamber
of Commerce

California Manufacturers
& Technology Association

California Nevada Cement
Promotion Council

California Railroad Industry

California Retailers
Association

Consumer Electronics
Association

Grocery Manufacturers
of America

Industrial Environmental
Association

International Council
of Cruise Lines

International Council
of Shopping Centers

Matson Navigation Company

Maersk Inc.

Pacific Merchant
Shipping Association

Retail Industry Leaders
Association

Society of the
Plastics Industry

SSA Marine

Western Home
Furnishings Association

Western States
Petroleum Association

January 6, 2009

Hon. Arnold Schwarzenegger
Governor
State of California
Sacramento, CA 95814

Dear Governor Schwarzenegger,

Our Ports and trade infrastructure are facing unprecedented challenges in 2009 and beyond – challenges which will continue to be exploited by out-of-state competitors. California is simply becoming less competitive as a global trade gateway because our state continues to take future trade-related industry growth for granted, fails to conform to a consistent regulatory environment, and falls short of creating new trade-supporting infrastructure. As a result of this failure, we are losing valuable economic activity and their related state and local tax revenues in the face of the state's greatest fiscal crisis ever. As a result, we now face the very real possibility of losing our position as home to the Nation's premier international trade gateways – not only in terms of volume, but also in job growth, economic impacts and global caché.

Our current decline in trade volumes is not a function of the downturn in the economy alone; rather, it is the unfortunate result of myriad anti-trade policies, attitudes, and politics. These factors have combined to increase supply chain costs, yet providing little to no benefit to the users of the supply chain in return. The current economic slow-down, coupled with substantial out-of-state investments in trade infrastructure, marketing and trade-friendly policymaking, has already led to the rapid and sudden diversion of cargo from California - trends that we had previously only expected to see in the long-term.

The California Trade Coalition (CalTrade), a collection of trade and freight related industries operating throughout California, now calls upon you and your Administration to take a stand for international trade. We are actively seeking your leadership in re-establishing California's competitiveness as the lead gateway for international trade. Stand for port infrastructure investment and the construction jobs that go with it. Stand for higher trade volumes and the longshore jobs that go with it. Stand for intermodal congestion relief and the trucking, warehousing and logistics jobs that go with it.

To do this, we ask you to work with us on three fronts in 2009 to help make California's ports and trade infrastructure more competitive:

- Balance California's regulatory environment so it is reasonable, fair and workable in light of port competitiveness issues
- Allow the private sector to pursue infrastructure investment in our trade infrastructure immediately, encourage partnerships that accelerate real development of infrastructure, and put an end to the policy of elevating the goal of leveraging resources out of the trade community over the development of trade itself
- Stop the damaging debate over state-imposed Container Fees by proactively working to stop any such impositions, taxes or "fees" on trade now

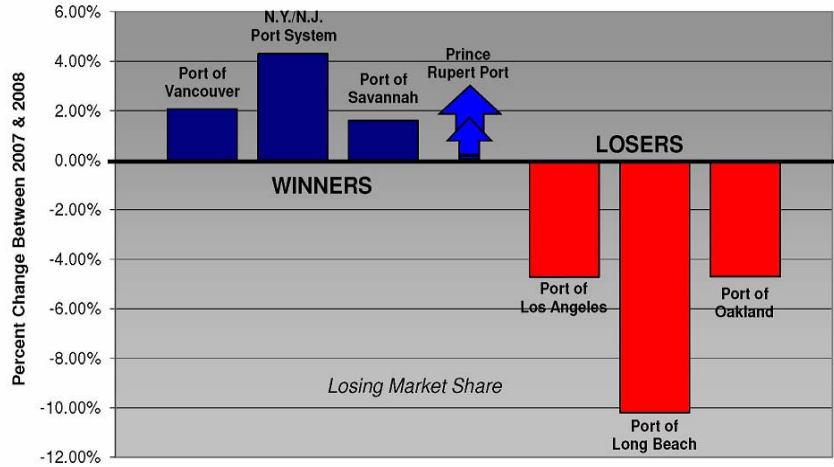
If we are not able to protect California's leading role as a trade gateway, the impacts to our state and local economies will be sustained and extensive. Our public ports facilitate over \$350 billion in goods shipped, generate close to 100,000 jobs in the state and raise \$3.6 billion in state and local tax revenues. On top of that, trade-specific infrastructure that already exists usually pays for itself. Our Seaports are public entities, yet since they have no tax revenues to rely on, they must act more like businesses, funding their capital improvements and operations out of trade partner revenues. Likewise, the railroads are private and maintain their own rights-of-way and make their own capital improvements, relying on robust volumes to keep California's trade strong.

We appreciate that the path forward to economic recovery will not be easy. Because the trade community stood with you during the course of your administration on your many previous efforts to improve infrastructure development, we understand the many political challenges ahead as well. We, of course, thank you for your vetoes of previous container tax bills, but more than that, CalTrade was one of the few organizations to support and stand by your Goods Movement Action Plan. Our members were early advocates for the Strategic Growth Plan. We actively supported the inclusion of the trade corridor and air quality improvement funding in the infrastructure bond package. Unfortunately, while these initiatives have not yet resulted in significant infrastructure improvements for the trade community, numerous and costly air quality initiatives have been implemented and other policy disconnects abound. We have achieved unprecedented air quality improvements around the ports, yet on the horizon we see even more new mandates, costs and fees that will be increasingly problematic and lead to further cargo diversion.

Given the current economy and state's fiscal situation, our California trade community should be emulated, praised and encouraged to grow, instead of being punished, demonized, and driven out of state. But, despite the dire circumstances facing all of us, we have found a growing number of trends which are not the result of the down-turn in the economy alone, but an outcome of California simply taking international trade and its benefits for granted.

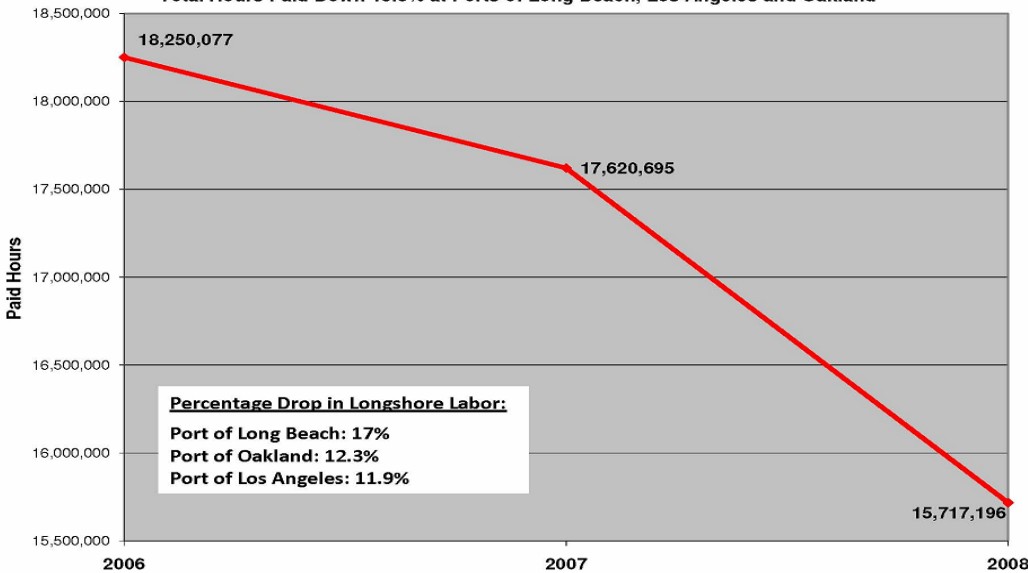
For example, many other states are benefiting from capturing California ports' market share or are actually growing despite the recession. These ports aren't just new facilities, like Prince Rupert, British Columbia which just recently opened in the last year, but also established port complexes, like New York/New Jersey. In addition, growth at the Port of Savannah contrasted with volumes shrinking in California, bumped the Port of Oakland to the 5th busiest container port in the country, while Savannah moved up to 4th.

**AMERICAN GLOBAL TRADE GATEWAYS:
 WINNERS AND LOSERS**



The impacts of our shrinking market share are direct and disruptive to our local economy, not to mention state tax revenues, as the diversions are already impacting longshore payrolls. As you can see, from our peak activity in 2006, hours worked on the docks have dropped over 13% at our container ports statewide.

Longshore Labor Paid Hours at California's Container Ports, 2006 to 2008
 Total Hours Paid Down 13.8% at Ports of Long Beach, Los Angeles and Oakland



In addition to these examples, please find attached to this letter a number of articles, statistics and information, which we are respectfully submitting for your review of our deteriorating competitive position.

We still support your efforts to expedite the expenditure of current resources that have been made available to fund port infrastructure, including the Trade Corridors Improvement Program in Proposition 1B – critical voter-approved revenues that the state needs to successfully allocate before entertaining any new measures that would further burden the industry. Yet, given the dire state of our industry, allocating these funds will not be enough.

If we are to avert immediate and potentially irreversible damage to our premier place as America's global gateway, California must act now. Without a true commitment to reform, we will become even less welcoming to trade over time – a sad condition where we will have fewer jobs for our own workers, dampen the prospects for our own economic growth, and further risk damaging our own state and local tax revenues in the process.

We appreciate your past commitments to improve California's trade profile in foreign markets, but to reap the benefits of these initiatives action must be taken now to make our state itself more trade-friendly. Review our regulatory mandates with an eye towards consistency and competitiveness, making their implementation complimentary to growth. Permit and further encourage the private sector to help invest in trade, or empower the public to actually make key infrastructure improvements, rather than viewing trade infrastructure as an opportunity to leverage payments out of the supply chain. Stop the anti-California marketing message that reverberates through the global trade community by putting an end to the endless, nonsensical Container Tax debate once and for all.

We look forward to continue working with you and your Administration on resolving these important issues and improving California's trade and competitiveness in the year ahead.

Sincerely,

The California Trade Coalition

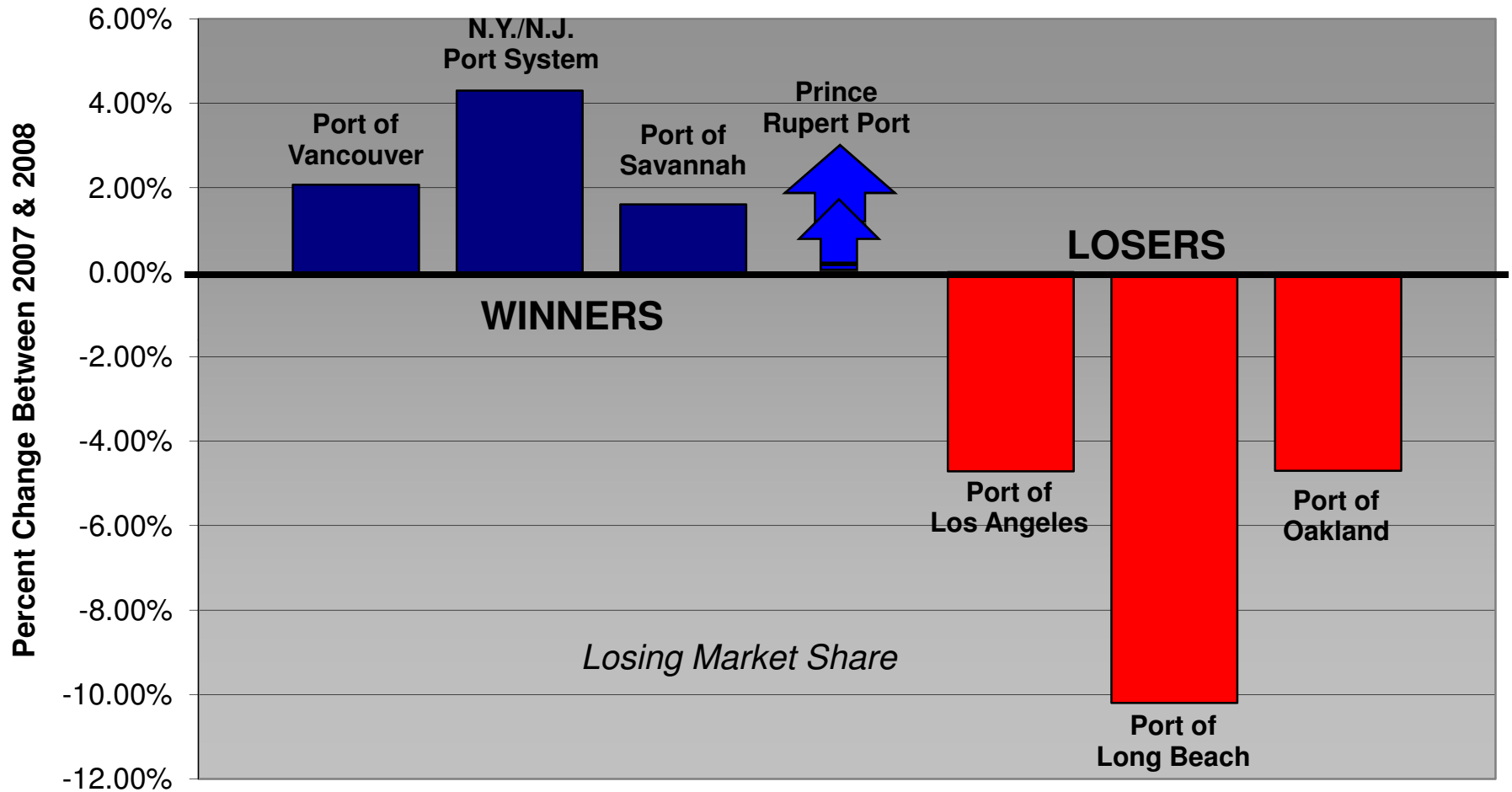
Enclosures

American Global Trade Gateways: Winners and Losers

Longshore Labor Hours at California's Container Ports

“Recent News Regarding the Competitive and Economic Issues facing California Trade”

AMERICAN GLOBAL TRADE GATEWAYS: WINNERS AND LOSERS



ACCUMULATED CONTAINER REPORT

	YTD Oct 2007	YTD Oct 2008	DIFFERENCE	% CHANGE
Port Vancouver*	2,072,814	2,115,744	42,930	2.0%
N.Y./N.J. Port System	3,407,908	3,554,567	146,659	4.1%
Port of Savannah	2,183,101	2,218,161	35,060	1.6%
Port of Norfolk (VA)	1,763,689	1,759,996	-3,693	-0.2%
Prince Rupert Port*Δ	--	131,084	--	--
Port of Los Angeles	6,957,296	6,628,905	-328,391	-5.0%
Port of Long Beach	6,125,504	5,500,411	-625,093	-11.4%
Port of Oakland	1,994,148	1,900,423	-93,725	-4.9%

* West Coast ports outside of the U.S.A.

Δ PRPA's newly built container facility was finished late October '07; no data available before 11/2007

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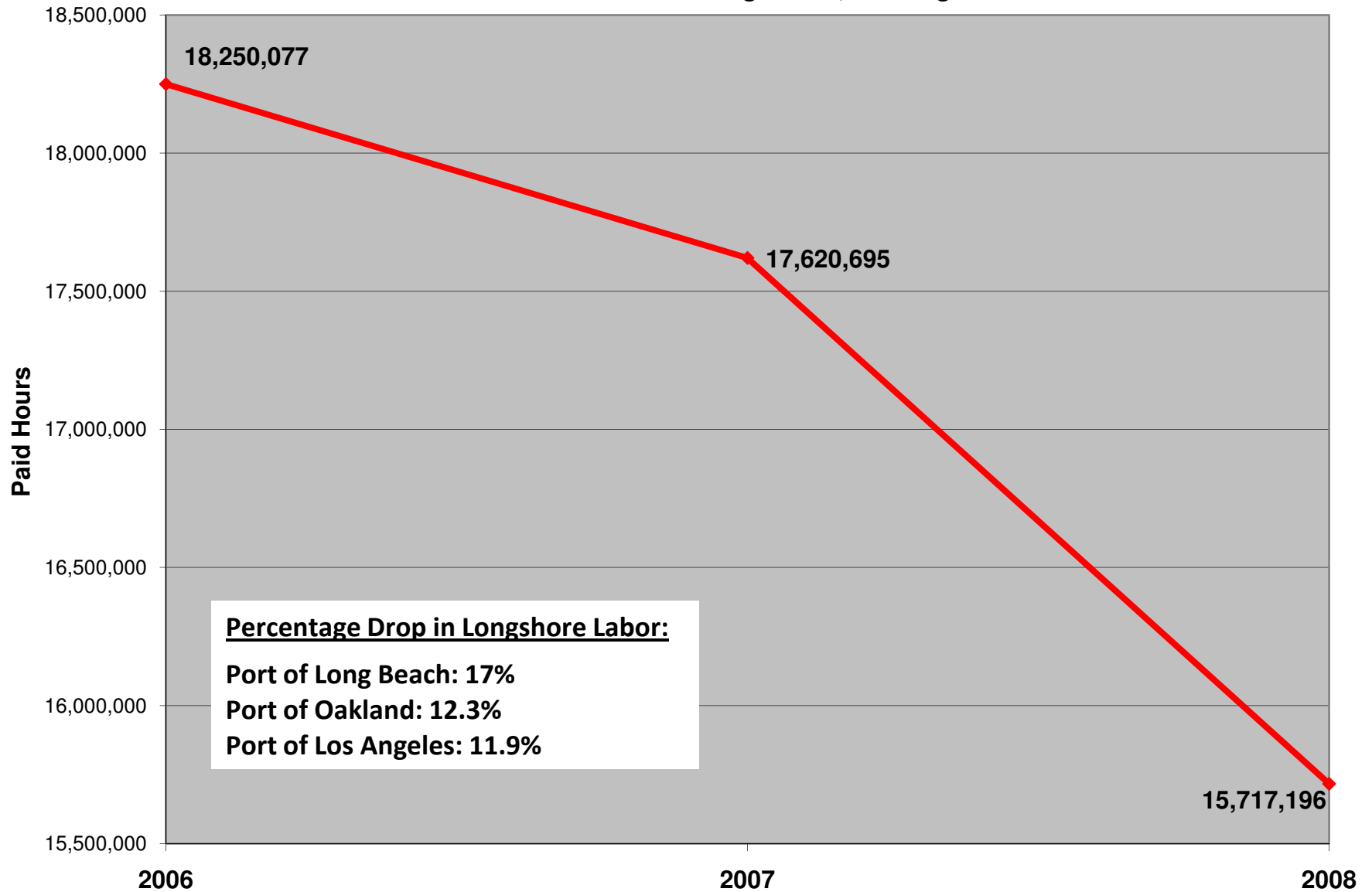
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Longshore Labor Paid Hours at California's Container Ports, 2006 to 2008

Total Hours Paid Down 13.8% at Ports of Long Beach, Los Angeles and Oakland



Recent News Regarding the Competitive and Economic Issues facing California Trade

- “Cargo jobs could drop more in 2009,” *San Bernardino County Sun* 01/03/09
- “Dynamar: Asia boxes will shift to trans-Panama routings,” *American Shipper* 12/29/08
- “Chill wind blows on LA’s waterfront,” *Financial Times* 12/21/08
- “Downturn in cargo brings port cutbacks,” *Long Beach Press-Telegram* 12/21/08
- “LA port smog declines,” *Journal of Commerce* 12/19/08
- “Charleston to cut box fees,” *Journal of Commerce* 12/17/08
- “Global lenders sign off on \$2.3B for Panama Canal,” *Journal of Commerce* 12/10/08
- “L.A. port to cut its spending,” *Torrance Daily Breeze* 12/09/08
- “Ship cargo volume slumping at West Coast ports,” *San Francisco Chronicle* 11/30/08
- “West Coast ports face struggle to maintain relevance,” *Los Angeles Times* 11/28/08
- “Vancouver port plans big spending for expansion,” *Journal of Commerce* 11/26/08
- “West Coast ports continue cargo slide,” *American Shipper* 11/25/08
- “Getting in Shipshape,” *Los Angeles Business Journal* 11/24/08
- “340 jobs shipping out of Oakland,” *Oakland Tribune* 11/20/08
- “Cargo gains at Charleston,” *Journal of Commerce* 11/20/08
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- “US West Coast intermodal route threatened: Report,” *Journal of Commerce* 10/28/08
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- “ILWU workers seeing less work at major West Coast ports,” *American Shipper* 10/09/08
- “Mexico launches shipping project,” *Associated Press* 08/28/08
- “Calderon announces bidding for Punta Colonet project,” *San Diego Union-Tribune* 08/28/08

San Bernardino County Sun

Cargo jobs could drop more in 2009

[Matt Wrye, Staff Writer](#)

Posted: 01/03/2009 07:09:06 AM PST

The housing market isn't the only gold mine putting on the brakes in San Bernardino and Riverside counties.

The Inland Empire's logistics industry - with its blue-collar jobs infusing retail spending at local stores - experienced its biggest drop ever in job creation in 2008 because of falling container traffic coming through the seaside cargo ports in Los Angeles and Long Beach.

For 2009, "it could decline, or it could remain flat," said John Husing, regional economist and owner of Redlands-based Economics and Politics Inc., about local job creation in the goods movement business.

The ports are seeing a huge drop in imported cargo because consumers nationwide are buying less foreign-made products.

"Usually, you could count on this (job sector) offsetting job declines in other areas, but you can't do that this year," Husing said.

About 38,200 logistics-industry jobs were created across the Inland Empire between 2000 and 2007 - more than 5,400 per year.

But the sector added a mere 200 jobs in 2008, Husing said.

"It's not there as a growth vehicle when we need it the most," he said.

Container traffic at the two ports dropped 19 percent for the two-month period of October and November compared to the same period in 2007, according to information published by PierPASS, a not-for-profit organization trying to reduce congestion and improve air quality around the ports.

It's likely to drop even more in the first quarter of 2009.

"Our customers are saying it may be 20 to 30 percent less than the first quarter of 2008," said Theresa Adams Lopez, spokeswoman for The Port of Los Angeles.

At its peak in 2006, the Port of Los Angeles processed 8.5 million containers.

Less than 7.3 million came through between January and November of this year, according to port data.

Because of December's estimated container traffic, which hasn't yet been released, "the numbers for the fourth quarter of this year are going to frighten people," said Jack Kyser, chief economist at Los Angeles County Economic Development Corp., a research organization in Los Angeles.

Those numbers aren't frightening Chris Ramirez, but the Fontana business owner still had to lay off almost half of his work force - 25 employees - because of a drop in cargo traffic.

Ramirez owns Ramirez Pallets, which makes new wooden pallets and repairs old ones for shipping purposes.

"All the pallets are full of inventory," he said about local logistics distributors moving goods through their warehouses. "We're preparing for the worst. People say next year will be worse."

A consumer-spending slowdown isn't the only issue for the Inland Empire logistics industry to worry about.

There's a growing consensus among economists and industry experts that the ports of Los Angeles and Long Beach won't reap the future cargo traffic boom originally expected.

That's because other ports around the nation are expanding their operations, and they don't have near as many air quality and congestion issues as the Los Angeles and Long Beach ports.

"Other ports around the country are healthy, and they do want to steal business," Kyser said. "It's something we have to look at, because we're the No. 1 port complex (in the nation)."

Husing agreed.

"Given the desire for companies to avoid L.A. and Long Beach, it'll be easier for them to choose (a different port) option in the future," Husing said. "I'm not optimistic about the ports of L.A. and Long Beach coming anywhere near the kind of growth needed for the sake of the inland economy."

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- About 38,200 logistics-industry jobs were created in the Inland Empire between 2000 and 2007 - about 5,400 per year. But only 200 were created in 2008.
 - Container traffic at the ports of Los Angeles and Long Beach dropped 19 percent for the two-month period of October and November compared to the same period in 2007.
 - Cargo companies shipping goods through the Port of Los Angeles say they'll be moving 20 - 30 percent less containers through the port in the first quarter of 2009 versus the same year-ago period.

Dynamar: Asia boxes will shift to trans-Panama routings

December 29, 2008

A new report forecasts that as much as 25 percent of the container cargo moving through U.S. West Coast ports may switch to all-water routings through the Panama Canal shortly after the expanded waterway opens in 2014 or 2015.

The report from the Dutch firm Dynamar, called *Panama Canal Container Trades: Past, Present and Future*, predicts that volumes to the U.S. East and Gulf coasts from the Far East could climb from 3.2 million TEU today to 15.7 million TEU by 2020.

“Our conclusion is that soon after the expanded Panama Canal opens for business in 2015, ultra large container ships of over 10,000 TEU up to the new Panamax size of 13,000 TEU will start using the waterway,” said Dirk Visser, the managing editor for Dynamar, which is based in Alkmaar, Netherlands. He sees about a quarter of that cargo growth coming from services focused on West Coast ports and using the intermodal system, which will then switch to all-water routes.

Visser also believes that while trans-Suez volumes from Far East ports will grow in the next few years because of limited capacity at the Panama Canal, much of that cargo could switch to trans-Panama routings after the expanded canal is opened.

“There are two worries for the East Coast ports involved, to have sufficient water depth and large enough cranes – the ability to handle 22 boxes across deck, but at least 20,” he said.

Visser noted that there are 211 ultra large container ship on order or operating with capacity of more than 10,000 TEUs, and that all but 52 will be able to pass through the Panama Canal.

“There is more than enough cargo if the trade develops as forecasted to employ a big number of those ships in the Far East-East Coast trade,” Visser said. “If you were to carry the total eastbound to the U.S. East Coast trade in 2020 entirely with 10,000 TEU ships, you would have 40 strings of those ships.

“We expect a swift shift to much larger ships. The carriers will want to take advantage of the economies of scale,” he said. “The new panamax can be around 13,000 TEU, but it will be the U.S. East Coast ports that will determine the maximum size that can be used.

Dynamar isn’t sure how many carriers are ordering the plus-10,000 TEU ships for the new markets offered by the new Panama Canal. But Vissar believes with the opening of an expanded canal shipping will see “totally different trade patterns.”

Visser predicted that there may be a big rise in transshipment through Panamanian ports once the expanded canal opens. In mid-October there were 74 liner services that called at Panamanian ports. Of those, 39 passed through the canal and about half – 19 of them – called at ports in the country. Another 35 services called at Panamanian ports, but did not use the canal.

Visser believes that Panama may become an increasingly important transshipment hub, with the possibility that ultra large containerships will discharge cargo before or after transiting the canal, and transferring boxes to small feeder ships. He said a single containership could make a weekly run from Panama to U.S. East or Gulf Coast ports, and believes this could provide an effective way to take advantage of the reduced cost of short-sea shipping without using Jones Act tonnage that requires U.S.-built and operated vessels. — [Chris Dupin](#)

Chill wind blows on LA's waterfront

By Matthew Garrahan in Los Angeles

Published: December 21 2008 18:03 | Last updated: December 21 2008 18:03

Nursing a cup of strong coffee in a cafe near the port in Los Angeles, Esther Hudak is explaining how the world trade slump has hit her job prospects. "In 2006 I was working [at the port] four or five times a week," she says. "I got out once last month."

More than 40 per cent of US imports come through the San Pedro Bay ports at Los Angeles and nearby Long Beach, which have boomed for 30 years in line with the emergence of China as the world's dominant manufacturing power.

But the volume of goods coming into the two ports has declined sharply. It is quiet round the Los Angeles facility: streets would normally be packed with trucks taking freight to distribution centres inland, but traffic is scarce and the dozens of hammerhead cranes that unload the ships stand idle.

The recession gripping the US has had a devastating impact on consumer spending, which has hit imports at the southern California ports. For members of the International Longshore and Warehouse Union such as Ms Hudak, the slump means looking for work elsewhere.

About 9,000 ILWU members in Los Angeles and Long Beach work on a casual basis. "When the economy was doing well, the port was too and so were we," says Ms Hudak. "But everyone is looking for other jobs."

The worsening employment picture is yet more bad news for the California economy which is struggling with the collapse of the housing market, spiralling mortgage foreclosures and a budget deficit that is forecast to hit \$42bn by 2010.

The state economy relies heavily on the two ports, with more than 900,000 people either working directly for the two complexes or indirectly at inland warehouses, distribution centres and haulage companies.

Cars, toys, consumer electronic goods, clothing and furniture all come in via San Pedro Bay. But as consumers rein in spending, Asian manufacturers have cut exports destined for the US. Volumes have been waning for about a year, with the collapse of the housing market in 2007 slowing demand for household goods.

At Long Beach, imports are down 13 per cent on 2007. Los Angeles is down by a similar amount and yards that would normally be packed with containers are empty. Evidence of the slowdown is everywhere: thousands of Toyota and Mercedes cars occupy dockside space in Long Beach because dealerships in California and beyond cannot sell them. [Toyota](#) has leased more than 200 acres from port authorities for temporary storage.

In Los Angeles, the number of cars arriving has slowed to a trickle. "They've just about disappeared," says Mark Jurisic, an executive board member of the ILWU Local 13, which represents the union's members in Los Angeles. He adds there was a noticeable drop in imports in September, traditionally the

start of the port's busy period. "The kicker to all this is that we have to yet to come to Chinese new year [in February], which is always our hardest and slowest period."

Unlike previous recessions, this one is being felt more keenly because it has been sparked by a consumer spending slump. "About 75 per cent of our goods are for retail and bound for the shelves," says Michael Keenan, harbour planning and economic analyst with the Port of Los Angeles. "We were insulated from the 2001 downturn because that was primarily a business recession and consumers continued to spend. This time things are different."

Export volumes have also fallen. As Asian manufacturing boomed, Los Angeles and Long Beach were ideal places from which to export scrap metal, waste paper and other raw materials to be used in the production and packaging of goods that would then be sold back to the US. "In terms of scrap steel, it tells us that China is not building like it was," says Mr Keenan.

"Exports were up until the last few months," says Art Wong of the Long Beach port. But a decline that started in September has accelerated with export volumes in November down 24 per cent on 2007. "If Asian countries are not importing raw materials they're not planning to make products for us or Europe."

For the longshoremen, crane operators and truck drivers, and the businesses that depend on the goods that come through the ports, prospects are gloomy. "We were the first to feel the slowdown and we will be the first to bounce back," says Mr Jurisic at the ILWU. "As the economy goes, so do we."

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Downturn in cargo brings port cutbacks

ECONOMY: Companies and dockworkers feel the pain as shipping volumes decline.

By Kristopher Hanson, Staff Writer

Article Launched: 12/21/2008 09:46:05 PM PST

With cargo volumes slumping for the 16th consecutive month, West Coast terminal operators, port authorities and shippers find themselves scrambling to cut costs in the face of grim revenue declines.

Terms like "bloodbath," "unprecedented," and "very difficult" are frequent these days in the boardrooms and hallways of businesses responsible for moving goods to an ailing world market.

At least four carriers with significant operations in Southern California - Horizon Lines, Maersk, CMA-CGM and APL - have announced restructuring plans, layoffs or both in recent weeks.

And the pain is spreading to terminal operators and the longshore workers they hire to load and unload cargo ships.

The 10,000 or so dockworkers the International Longshore and Warehouse Union represents in San Pedro Bay have seen work hours drop 4.5 percent this year.

Local ILWU "casuals," or part-time laborers, have had it even worse. Their hours are off 60 percent in 2008.

Industry difficulties stem from the 7percent year-over-year drop in shipping volumes at the nation's largest seaports - including Long Beach and Los Angeles, where some \$360 billion worth of goods are handled annually.

The steep decline comes after nearly two decades of near-continuous growth at seaports in California, Oregon and Washington, which benefited from the explosion in trade between Asia and America.

Among several of the largest shippers, the economic slide has led to layoffs and cutbacks as carriers strive to maintain profitability.

Neptune Orient Lines, parent company of APL shipping, became the first major carrier with local ties to announce a restructuring in November.

To shave \$200 million in expenses, APL plans to cut 1,000 jobs in North America, close its Oakland offices, slash 50 jobs in Singapore and take ships out of service.

NOL President Ron Widdows said the company took the measures to cope with what it believes will be a long downturn.

"The negative conditions we are seeing in the marketplace are unprecedented in our industry's history," Widdows said.

And Horizon Lines, a domestic carrier that provides the bulk of shipments between Southern California and Hawaii, plans to cut 10 percent of its work force - about 70 people, while reducing \$7 million to \$10 million in expenses.

The company has offices in Long Beach and operates out of Terminal Island, though it's unclear if those jobs will be affected. The company plans to seek voluntary retirements before firing workers.

"We continue to face a very difficult macro-economic environment that is having a significant impact on the markets we serve," said Horizon President Chuck Raymond.

The International Longshore and Warehouse Union, which represents some 10,000 dockworkers in Long Beach and Los Angeles, saw work hours decline 4.5 percent overall this year locally.

Casual workers, who take jobs not filled by more veteran longshore workers, have had it even worse. Hours for casuals are off 60 percent in San Pedro Bay this year, from 1.9 million hours in 2007 to just 780,600 hours through early December.

Despite the slump, Long Beach port authorities have not announced hiring freezes or layoffs, but remain mindful that midyear budget adjustments may be needed.

Adding to the decline in Long Beach of shipping revenue is the slump in oil prices. The Long Beach Harbor Department's oil revenues - budgeted at \$55 million this fiscal year - are off about 30 percent so far, according to Tony Urrutia, a port accountant.

At the Port of Los Angeles, authorities are cutting spending by \$20 million this year, primarily by freezing unfilled positions and ending unnecessary purchases.

It's an unusual position for America's largest seaport. Shipping volumes in Los Angeles increased 290 percent between 1997 and 2007, with the port's budget swelling to more than \$1 billion this year along with the rising tide in cargo.

Suddenly, the brakes have been slammed.

"Our most prudent course of action is to hunker down and plan for possible significant reductions in revenues in the coming year," said Geraldine Knatz, the L.A. port's executive director.

In Seattle, port commissioners have cut operating expenses by \$9 million in 2009, again by implementing a hiring freeze. The cuts come on top of \$8 million in cuts made this year.

"Tough economic times call for tough decisions," Port of Seattle Commissioner Lloyd Hara said in a statement.



LA port smog declines

Updated December 19, 2008 4:06:13 PM

Bill Mongelluzzo / The JOURNAL of COMMERCE ONLINE

Harbor-generated pollution dropped noticeably in 2007, according to an analysis performed by the Port of Los Angeles.

Even more significant reductions in emissions from vessels, trains, trucks and cargo-handling equipment will occur over the next few years as measures contained in the Los Angeles-Long Clean Air Action Plan are implemented, the port stated in a press release.

Sulfur oxide emissions, which are generated primarily by vessels, declined 34 percent compared to 2006, according to the Port of Los Angeles 2007 Inventory of Air Emissions.

Nitrogen oxide emissions fell 9 percent and diesel particulate matter emissions decreased 20 percent compared to 2006 levels. Also, greenhouse gas emissions were down 8 percent to 11 percent.

All modes of transportation are contributing to the decrease in pollution. Vessel operators are burning low-sulfur fuel in the harbor area and are reducing vessel speed as they approach berth.

Motor carriers are replacing old, polluting trucks with new, low-emission vehicles. The pace of retiring older trucks will increase under the clean-trucks program, and within five years all trucks calling at marine terminals will have to meet or exceed federal Environmental Protection Agency standards for 2007 model trucks.

Railroads are replacing old locomotives with new, cleaner-running units. Marine terminal operators are running much of their cargo-handling equipment on alternative fuels.

The pollution-reduction measures have been implemented gradually since 2001, but current levels are dramatically lower than they were in that year. Sulfur oxide emissions have decreased 40 percent and particulate matter emissions fell by 11 percent to 13 percent. Also, the harbor's share of total pollution in the Los Angeles Basin continues to decrease.

"The trend since our 2001 emissions inventory shows that we are lowering port-related health risks and doing our part to clean the air in the L.A. basin," said Geraldine Knatz, executive port director.

Charleston to cut box fees

December 17, 2008

By The JOURNAL of COMMERCE ONLINE

The South Carolina State Ports Authority announced it will discount container-handling fees at the Port of Charleston through March, 2009.

The agency's Mid-Winter Rate Roll-Back will reduce contract unit fees for container carrier customers by 5 percent Jan. 1 through March 31.

It said it is instituting the across-the-board rate discount "to provide near-term relief to customers impacted by the current global economic situation".

The authority said the action is aimed at maintaining the viability of current service levels from its carrier clients, avoiding cuts that would negatively affect the local maritime industry and jobs statewide.

Through the first five months of the current fiscal year, which started July 1, Charleston's container traffic fell 4 percent from the previous-year period.

This week the International Longshoremen's Association locals at Charleston rejected a proposal to allow Charleston's biggest customer, Maersk Line, to switch from ILA labor to less expensive non-union terminal workers.

Maersk, which accounts for one-fourth of Charleston's container volume, has threatened to pull out of the port if it can't reduce its costs. With cargo volumes down, the company has been hit with shortfall fees for failing to meet volume commitments under its contract with the ports authority, which runs through 2010.



Global lenders sign off on \$2.3B for Panama Canal

Updated December 10, 2008 10:03:28 AM

The JOURNAL of COMMERCE ONLINE

Senior officials from development agencies in Asia, Latin America, Europe and the United States have signed off on \$2.3 billion in financing for the Panama Canal's expansion project.

The meeting of five multilateral and development agencies in Panama City Tuesday with waterway administrators followed months of extensive negotiations, the Panama Canal Authority said in a statement.

The lenders are the Japan Bank for International Cooperation; European Investment Bank; Inter-American Development Bank; Corporacion Andina de Fomento, the World Bank's International Finance Corp.

The new financing will cover a portion of the \$5.25 billion total cost of the project. The Japanese bank is contributing the largest part of the package, \$800 million.

The International Finance Corp. approved its contribution, \$300 million, in November.

The negotiated financing structure includes favorable provisions for the authority including a 20-year amortizing period with a 10-year grace period and establishes an unsecured, untied financing, with no prerequisites to contract from any one source.

The authority reiterated that the remaining cost of the project will be financed through Canal-generated cash flow.

The expansion will build a new lane of traffic through the construction of a new set of locks, which will double capacity and allow more traffic and longer, wider ships.

Daily Breeze

L.A. port to cut its spending

By Art Marroquin, Staff Writer

Posted: 12/09/2008 11:18:08 PM PST

The slumping economy has forced the Port of Los Angeles to cut its current spending budget by more than \$20.5 million amid a projected 20 to 30 percent decline in shipments during the first quarter of 2009.

Port officials in recent months have eliminated several unfilled positions and reduced some costs, including travel expenses, to keep the books balanced. An optimistic harbor commission had signed off in June on a \$1.15 billion budget for this fiscal year, a 15 percent increase from the previous one.

Given the dismal economic forecast now, "our most prudent course of action is to hunker down and plan for possible significant reductions in revenues in the coming year," said Geraldine Knatz, executive director of the Port of Los Angeles.

"We are tightening hiring and have asked divisions to hold vacancies," Knatz said. "We have asked divisions to take a critical look at their budgets and to cut spending."

By the close of 2008, the port is expected to handle about 5 percent fewer shipments than in 2007, according to Knatz. In contrast, the port saw container volumes increase by 289 percent from 1997 to 2007.

"For the remainder of the fiscal year, I have been speaking to our customers about their business projections moving forward into 2009," Knatz said. "What I found was predictions of business being off 20 to 30 percent during the first quarter of 2009."

Nearly 80 percent of the port's income comes from cargo container fees collected from its seven terminals, which are reporting massive drops in imports and exports as 2008 comes to a close.

Part of that dramatic reduction stems from a recent announcement that Maersk Line will eliminate one of its services to Los Angeles as part of a new vessel sharing agreement with CMA-CGM.

The local trend closely mirrors what's happening at ports across the country, with a projected 6.1 percent drop in shipments compared to last year, according to Global Insight, a port industry analyst.

"I think every business is looking to cut spending and conserve cash right now, but the port is a service business and you don't want service levels to decline," said Jack Kyser, chief economist of the Los Angeles County Economic Development Corp. "I don't see any real improvements until 2010, but by 2011 the economy should be moving at a pace that makes everybody feel better."

Kyser warned that Los Angeles should avoid slashing the \$308.7 million worth of funds budgeted for capital improvement projects at the port, which include the massive expansion of the TraPac terminal, berth improvements, heightened security and technology advancements and waterfront development in San Pedro and Wilmington.

"You don't want to take money out of those capital improvement projects because terminal operators are already nervous about the slow rate of expansion at the ports," Kyser said.

"The best way for the port to save money right now is to put a freeze on hiring, avoid purchasing new vehicles and make cuts in other departments across the board."

San Francisco Chronicle

Ship cargo volume slumping at West Coast ports

[George Raine, Chronicle Staff Writer](#)

Sunday, November 30, 2008

The first priority for the cargo container business, of course, is making good decisions in an economy in which consumers have zipped their wallets, orders are a fraction of what they were in good times, Asian factories are shuttered and unemployment rates are rising.

Long-term infrastructure improvements, including increased rail service and improved trucking conditions - as well as helping to cleanse the air at pollution-heavy, dangerous ports - will be necessary for the West Coast to hold on to market share amid ever-increasing competition from across the country, experts say.

Container cargo volumes moving through the West Coast ports fell again in October, and 2008 is now expected to be the slowest year since 2004, according to the National Retail Federation. Collectively, the decline at West Coast ports is more than 1 million containers so far this year, American Shipper magazine reported.

Down from last year

Through October, Long Beach, Los Angeles, Oakland, Seattle and Tacoma have handled 17 million TEUs, or 20-foot equivalent units, as the cargo containers are referred to in the industry, a decline of 6.6 percent from the 18 million TEUs processed in the first 10 months of last year.

But even after a recovery, growth in Asian trade is more likely to benefit the Gulf Coast ports, served by the Panama Canal, and the East Coast ports, which handle Southeast Asian cargo routed via the Suez Canal in Egypt, according to the authoritative supply chain adviser Drewry Shipping Consultants Ltd. of London.

In an article getting considerable attention in the industry, Drewry wrote that while the slowdown in volume along the West Coast "looks like the natural result of the credit squeeze," several factors have combined to undermine the position of the Pacific Coast ports, not the least of which is the complacency and increased rates of U.S. railroads.

Shipping to destinations in the East after goods enter West Coast ports is now more expensive than what is known as the "all-water" route to East Coast and Gulf Coast ports - eliminating rail passage across the country, from West to East, the article notes.

A third set of locks is to open at the Panama Canal by 2014 and, Drewry notes, that will create more transit capacity for container ships using the all-water route linking Asia and the United States.

"Even if growth continues as strongly as it has in recent years, any new trade will probably pass the West Coast by," the article reads. "Volumes are unlikely to decline, but the days of strong growth on the Pacific Coast are behind us."

Michael Jacob, vice president of the Pacific Merchant Shipping Association in San Francisco, has bought into the idea the West Coast faces daunting structural problems. His trade association represents 60 maritime terminal operators and ocean carriers.

"In the long term, we are seeing the threat of all kinds of issues - issues on steroids," he said. These include "the lack of freight-supporting infrastructure," meaning highway and rail improvements as well as improved port facilities; and pricing, due to fuel, environmental costs, port container fees, and the costs associated with congestion, said Jacob. "Everyone has environmental issues," he said, "but we have them in spades."

In addition, Jacob says that some shippers are choosing an alternative route around California, "investing somewhere else."

He added, "We are actually on the front end of a long-term structural change of business models where people are building their supply chains around California" for goods not destined for California.

At the Port of Oakland, Lawrence Dunnigan, manager of business development and international marketing, agreed that more cargo is moving directly to the East Coast than was the case in past years, but he believes the West Coast remains a viable market that also serves the Midwest. For all its pluses, the Panama Canal route remains an expensive option, Dunnigan said, and far more time-consuming than a 14-day trip from China to the West Coast.

"People are not shutting down warehouses or abandoning the West Coast," he said. "You still have to supply the West Coast."

It is true that the Port of Virginia, the Georgia Ports Authority in Savannah and others made infrastructure improvements in recent years, which they accelerated when fuel prices shot up, and that explains some of the volume increase in East Coast and Gulf Coast ports, Dunnigan said.

Savannah thriving

Savannah is particularly aggressive, handling 2.7 million containers each year with the capacity to move more than 6.5 million annually, said Doug Marchand, the executive director of the Georgia Ports Authority. In August, Savannah's year-to-date growth rate was 10 percent, the highest among all the major ports, and ahead of other ports that were also growing quickly at the time, New York-New Jersey (5.7 percent) and Norfolk, Va. (6.5 percent).

By contrast, the Port of Seattle said October volumes dropped 14 percent. Loaded import containers fell 17.4 percent. Tuesday, the port commission approved its 2009 budget, cutting operating expenses by \$9 million. Approximately 109 staff positions will go unfilled into the first six months of the year. To the north, the Prince Rupert Port Authority in British Columbia - served by the Canadian National Railway with service to Chicago - said its container traffic increased 281 percent in the third quarter, compared with the first quarter.

Also on the West Coast, the Port of Long Beach, the nation's second largest, was down 7.7 percent in October and the Port of Los Angeles, the nation's largest, was off 3.9 percent from October 2007.

Global economy's impact

The Port of Los Angeles said, "The global economy continues to play a role in our drop in cargo volume. Exports have declined due to the stronger dollar. Retail sales are down, which naturally affect the import of new goods. We anticipate seeing this trend continue for the remainder of the year."

The Port of Oakland - recently bumped from fourth largest in the nation to fifth by the Georgia Ports Authority's facility at Savannah - is far more balanced between imports and exports and so is less affected by the falloff in imports than other major ports. So far this year, Oakland is down 6.4 percent in imports but up 4.4 percent in exports.

That's still a red number Oakland wants to go away, but recovery is not at hand.

"Certainly 2009 is looking very bleak. That is the word I have heard several times," Dunnigan said.

A softening of port business on the West Coast is not only in part due to the precipitous downturn and increasing attractiveness of alternate cargo routes, but to financial challenges ocean carriers face at California ports, said Jonathan Gold, vice president for supply chain and shipping policy at the National Retail Federation.

"People are looking at the business environment surrounding California right now," said Gold, referring to container fees being imposed by ports, and expenses related to cleaner truck programs and other fees. "They're making decisions on whether to use California ports or other ports."

Gold added, "They are trying to balance the risk in the supply chain, trying to look and see how they get the best advantage," including considering Canadian and Mexican ports.

Moreover, said Gold, the 2002 labor dispute at the West Coast ports - when workers were locked out and the ports shut for 10 days after the workers staged a slowdown when contract talks stalled - also influenced decisions to ship around the West Coast this year.

A new contract was negotiated and agreed to July 28, but before the ink was dry, merchants "wanted to hedge their bets" and "did not want to get caught as they did back in 2002," having all their eggs in the baskets of the West Coast ports, Gold said.

"There is new leadership for the employers (the Pacific Maritime Association, representing ocean carriers and terminal operators) and the union (the International Longshore and Warehouse Union) and we kept hearing a deal would get done, but until we saw the deal in place, there was doubt out there," said Gold.

At the ILWU in San Francisco, Craig Merrilees, the spokesman, said "some of the employer groups whipped up their members into a paranoid lather urging companies to spend all sorts of extra time and money to reroute their cargo when it was not necessary."

He added, "Most observers who follow the industry saw there was little or no probability of repeat of the 2002 fiasco."

But even with a new, improved contract, ILWU members are working fewer hours, feeling the effects of the slowdown like most everyone else.

'Unprecedented' conditions

Ron Widdows, the chief executive of Neptune Orient Lines Limited, the parent of APL, its container shipping arm, put it succinctly Nov. 19 when he announced a reduction of 1,000 positions worldwide; the closure of the APL office in Oakland, affecting 350 people, some of whom will relocate to an office in a more "cost-effective" location in another state; and other adjustments when he said, "The negative conditions we are seeing in the marketplace are unprecedented in our industry's history."

Widdows added, "This reflects our considered view that what we are seeing goes beyond a normal cyclical downturn." He said he anticipated further deterioration in trading conditions and described the outlook for profitability in 2009 as "grim." As evidence, APL is taking 20 of the 130 cargo ships in its fleet out of service.

Said APL spokesman Mike Zampa, "When we come out of this, we will look different. Leaner. Absolutely. Not all carriers have paid close attention to their cost structure. In the end, some of them operate services that are not profitable. That can't happen any longer."

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Los Angeles Times

From the Los Angeles Times

GLOBAL ECONOMY

West Coast ports face struggle to maintain relevance

The global financial slowdown has already slashed traffic, and a major Panama Canal expansion will bring new competition.

By Ronald D. White

November 28, 2008

The slowdown in international trade has left the docks at the nation's biggest seaport complex quieter than they've been in years.

Some workers, particularly non-union "casuals," at the Los Angeles and Long Beach ports wait for shifts that never come. Automobiles and other merchandise pile up as consumers dig in for a long economic winter.

But the problems at the twin ports, along with smaller West Coast harbors, extend beyond the nation's economic woes, maritime experts say, and changes on the horizon could leave the seaports struggling to keep customers.

That's the assessment of a recent report by London-based Drewry Supply Chain Consultants, a maritime industry research firm that has about 3,000 clients in more than 100 countries. West Coast ports will see increased competition from the Panama Canal, which is undergoing a bigger-than-expected expansion due to be completed in 2014, Drewry said. In addition, rising Chinese labor costs will push some manufacturing back to Mexico and South America.

Even if global trade returns to its formerly robust pace, Drewry said, "any new trade will probably pass the West Coast by. Volumes are unlikely to decline, but the days of strong growth on the Pacific Coast are behind us."

The implications are potentially enormous.

The ports of Los Angeles and Long Beach are directly or indirectly responsible for 886,000 jobs in California, according to a 2007 study by the Alameda Corridor Transportation Authority. The \$256 billion in U.S. trade that moved through the ports that year, including \$62.5 billion in California cargo, was also responsible for \$6.7 billion in state and local tax revenues, the study said.

But times change, Drewry and other maritime experts say, and future economic conditions will shine a more favorable light on the all-water routes to East Coast and Gulf Coast ports by way of the Panama and Suez canals.

Some of that trend can be seen already.

A.P. Moller Maersk, the world's biggest shipping line, this year reduced its business from Asia to the U.S. West Coast in favor of stronger Asia-to-Europe trade. This month, the Denmark-based giant announced more changes.

Maersk said it would join with the world's third-largest shipping line, France's CMA CGM, and cut back its Asia-to-U.S. business by an additional 8% with new routes through the Panama and Suez canals.

The new business partnerships come at a time when the maritime industry is reeling from the global economic slowdown and credit crisis, delaying delivery of new vessels and killing deals considered too much of a revenue risk. Those pressures, Drewry says, will result in changes that will be difficult to unravel even as global trade eventually recovers.

Officials at West Coast ports say that they are doing what they can to remain competitive. But Drewry and other authorities say the ports suffer from a number of problems, including a lack of land for expansion and rail capacity that is significantly lower than in the past, despite billions of dollars in investments.

The two largest ports -- Los Angeles and Long Beach -- also face steep and costly environmental hurdles to expansion projects that had slowed to a crawl until this year. Some of those plans face serious legal challenges from trucking and trade groups.

In the meantime, the Panama Canal expansion project has come a long way from something that generated amused smirks from the maritime community when it was first announced in 2006.

As a sign of the new esteem with which the project is now regarded, Panama Canal Authority Administrator and Chief Executive Alberto Aleman Zubieta was honored Monday with an excellence award at the Asia-Pacific Economic Cooperation Summit in Lima, Peru, for "successfully moving the canal from a profit-neutral utility to a business-oriented enterprise."

Now, Drewry says, West Coast market share is about to take a serious hit, "possibly forever," from a "rejuvenated, aggressive and soon-to-be widened Panama Canal" that will have locks capable of handling cargo ships carrying as many as 13,000 containers -- much larger than the 8,000-container ships it was originally expected to accommodate.

Drewry isn't the only one who thinks so.

"With the ability to handle most of the world's largest ships, the Panama Canal will begin to enjoy better economies of scale than its primary competitor, which is the transpacific intermodal

route from Asia to the West Coast and to the rest of the U.S. by rail," said Asaf Ashar, head of the Washington office of the University of New Orleans' National Ports and Waterways Institute.

"It's cheaper to move cargo by ship than it is to transfer it to rail and go overland," Ashar said. "The logical conclusion is that market share will be lost."

Meanwhile, East Coast ports are frantically working to be prepared once the Panama Canal expansion is complete.

The American Assn. of Port Authorities, which represents most of the Western Hemisphere's major harbors, is devoting the current issue of its Seaport Magazine and an upcoming seminar in January to the shifting international trade routes and the Panama Canal expansion.

"It's become a very big deal," said Aaron Ellis, a spokesman for the trade group.

Port of Los Angeles Executive Director Geraldine Knatz said the port's willingness to address environmental concerns ended a logjam of expansion projects this year.

Saying that the port "should be investing \$1 million a day in its capital spending plan" to increase efficiency and reduce pollution, Knatz said the facility was on pace to award \$383 million in construction contracts this year.

Knatz said port officials were fully aware of the threat posed by projects such as the Panama Canal expansion, but she said the local ports had no choice in the way they must proceed.

"We're aware that some cargo has been diverted because of what we are trying to accomplish here," Knatz said, "but there is no way we would have been able to move forward at all with these construction projects if not for the steps we are taking to reduce pollution."

White is a Times staff writer.

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Vancouver port plans big spending for expansion

Updated November 26, 2008 11:55:44 AM

Courtney Tower / The JOURNAL of COMMERCE ONLINE

Port Metro Vancouver plans spending of just under C\$1 billion to improve and expand operations between 2008 and 2018.

The 10-year capital investment of \$950 million, not including expected land acquisitions, is by the Vancouver Fraser Port Authority, known as Port Metro Vancouver, out of its own resources. The authority is owned by the Canadian government but gets no funds or subsidies from it.

Terminals and other cargo-related tenants of the port plan to spend an additional \$3.2 billion on capital investments, in an overall spending plan by port tenants of \$4.25 billion, according to a consultants' report published Tuesday.

The report says some firms planning capital expenditures reported doing so "with the caveat that business continued to be 'good.'

"That would mean that further investments depended on Port Metro Vancouver remaining competitive among the Ports of Seattle, Tacoma and Los Angeles."

Two chief factors that would reduce competitiveness, according to the report, were a stronger Canadian dollar -- which has plunged from near-parity to 81 cents against the U.S. dollar since the report was written -- and higher prices for transporting goods to Vancouver.

The report by InterVISTAS Consulting is a study of the economic impact of the port, formed by a merger of the three Vancouver-area ports in January, which now has 373 miles of shoreline and 28 major marine terminals for bulk, breakbulk and container cargo.

Port Metro Vancouver handles \$75 billion worth of cargo each year.

West Coast ports continue cargo slide

November 25, 2008

Container cargo volumes moving through the five major West Coast ports continued to slip in October, with the collective ports shedding more than a million containers of volume so far this year.

The ports of Long Beach, Los Angeles, Oakland, Seattle and Tacoma have handled 17 million TEUs so far this year, a 6.6 percent drop from the 18 million TEUS reported during the first 10 months of 2007.

Since the start of 2008, loaded import volumes are down across the board, in some cases by double digits, such as the Seattle port.

Exports, which had remained strong in the early part of the year, began to falter during the summer and all five of the ports reported drops in export boxes during October. However, the early export volume gains continue to prop up numbers and most of the ports may end the year with a positive note in their export volumes despite the end of the year fizzle on exports.

Port volumes for October and the year to date are:

- **Los Angeles.** Port officials reported reported 706,308 TEUs handled in October, a 3.9 percent drop from October 207. Loaded import containers was off 3.8 percent to 370,987 TEUs and loaded export containers slipped 8.2 percent to 134,784 TEUs.
Through the first 10 months, cargo volumes are down 4.7 percent to 6.63 million TEUs handled compared to 6.96 million TEUs handled between January and October in 2007. Loaded import containers are off 5.5 percent while loaded exports are up 15 percent.
- **Long Beach.** October volume dipped 7.7 percent. Loaded import containers declined 9.5 percent to 292,456 TEUs, and loaded export containers dipped 8.5 percent to 132,521 TEUs.
For the year to date, officials reported 5.5 million TEUs handled, down 9.3 percent from 6.1 million TEUs in the 2007 year-to- date period. Loaded import containers are off 12.8 percent for the year while exports remain strong with a 15.2 percent increase.
Long Beach and Los Angeles collectively are down 6.8 percent to 12.13 million TEUs through the first 10 months of 2008.
- **Oakland.** The port moved 193,919 TEUs in October, a 10.7 percent drop. Loaded import containers were down 8.4 percent to 68,054 TEUs, while loaded export containers dropped 14.1 percent to 73,876 TEUs.
Year-to-date volume is off 4.7 percent to 1.79 million TEUs. Loaded import

containers are down 6.4 percent for the year, while export volume gained 4.4 percent.

- **Tacoma.** The Port of Tacoma handled 157,590 TEUs in October, down 3.6 percent. Loaded import boxes were off 9.2 percent to 53,868 TEUs while loaded export containers fell 17.6 percent to 35,954 TEUs.

Tacoma's volume dropped 2.4 percent to 1.57 million TEUs. Loaded import boxes were off 6.1 percent, while exports jumped 15.1 percent.

- **Seattle.** October volumes dropped 14 percent to 152,486 TEUs. Loaded import containers fell 17.4 percent to 58,927 TEUs and loaded export container numbers plummeted 24.5 percent to 92,534 TEUs.

Through 10 months the port handled 1.45 million TEUs, down 11.5 percent. Loaded import boxes slid 15.9 percent thru October and loaded export volume fell 34.4 percent compared to the year-ago period.

— **Keith Higginbotham**

Getting in Shipshape

California risks a hit to the state's economy by allowing West Coast ports and infrastructure to decay.

By JOHN R. McLAURIN

Posted date: 11/24/2008

Economists have documented that global trade and related logistics industries have replaced California's long lost manufacturing base in terms of providing good paying jobs. The ports of Los Angeles and Long Beach contribute more than \$3 billion in state and local taxes, and account for more than 300,000 jobs in the Southern California area. But a combination of factors, heightened by a growing global recession, is shifting cargo and the logistics industry to locations outside of California.

A recently issued report by Drewry Shipping Consultants noted the threat to the historic dominance of West Coast ports. According to Drewry's report, "The changes we are seeing in patterns of trade are fundamental. While the present downturn and the recession that might follow will hurt everybody, the ports of the U.S. West Coast will not recover so easily because their decline is part of a deeper malaise."

The report notes that declines in cargo volume for West Coast ports began prior to the current "credit crunch." Indeed, while West Coast port volumes have declined over the past several years, volumes for ports on the East Coast have increased – a function of growing dissatisfaction among cargo owners with West Coast port policies. As a result, highly paid longshore wages, amounting to approximately \$1 billion a year in California, are seeing their first declines in decades.

In addition, as a result of regulatory infighting and competing political agendas, California has been unable to develop port projects or the supporting inland infrastructure needed to effectively move goods from the port to the consumer. This kind of modernization would improve both efficiency and environmental protection. By contrast, the international trade community is finding willing partners and moving ahead with port infrastructure development projects in states like Virginia, the Carolinas, Georgia, Florida, Alabama and Texas. We have seen the development of projects and expansion of facilities in Canada and Mexico – all in an effort to provide alternative gateways to California. The competition is real.

As Mexico moves forward with expanding current port facilities and starting the process to build a multibillion megaport in Baja, the Port of Los Angeles can only manage to construct a \$14 million Las Vegas-style fountain. The Gerald Desmond Bridge, one of the most seismically unsafe bridges in California (over which 10 percent of the nation's trade passes), complete with a "diaper" underneath to catch falling concrete, is a generation away from being replaced because of political infighting.

The impediments to being able to plan and move forward with construction projects to attract and handle international trade are many. Legitimate issues involving environmental mitigation and land-use planning are major concerns but are being addressed. But the politics surrounding port governance and development of inland infrastructure projects have devolved into a dysfunctional and surreal process. Until recently, the working assumption seemed to be that international trade had to come through

California's ports. The Port of Los Angeles' recently announced "incentive" program to pay for cargo to come to Los Angeles is an example of a changing attitude and changing realities around us.

Unfortunately, many policymakers and others still retain a level of arrogance and fail to understand the long-term implications of failing to make strategic investments to keep trade flowing through California ports.

If California does not move aggressively to invest in trade-related infrastructure in the months ahead, we may lose our ability to compete as a global trade gateway. The warning signs are clear, but what's needed is a coordinated response that recognizes the importance of global trade to California's economy.

John R. McLaurin is president of the Pacific Merchant Shipping Association, based in San Francisco.

340 jobs shipping out of Oakland

By Cecily Burt and Angela Hill

Updated: 11/20/2008 06:12:23 AM PST

The dreadful economy has delivered another blow: Shipping giant APL is closing its North American headquarters in downtown Oakland and moving out of state in an effort to cut costs, parent company Neptune Orient Lines Limited announced Wednesday.

APL's maritime terminal operations at the Port of Oakland are not affected, but Singapore-based Neptune Orient Lines Limited will slash 1,000 jobs worldwide, the majority in North America. About 50 jobs will be cut from Neptune Orient Lines Limited's Singapore headquarters.

The massive international shipping and logistics company has about 11,000 employees scattered around the globe, with approximately 3,400 in North America. About 340 workers are in the company's flagship North American headquarters, in downtown Oakland.

Employees received the news Tuesday afternoon, said Mike Zampa, APL's communications director for North America.

"I can't speak for everybody in the company, but for those I've spoken to in Oakland, I would say some are shocked, some are disappointed," Zampa said. "But it seems to be understood that given the downturn in global trade, if we don't take action (to cut costs) our company could be in trouble."

The company did not say where it plans to move its headquarters, only that it would be a more "cost-effective location." Zampa said those details likely would be announced next month and did not expect a change in plans.

"We're not looking to negotiate more favorable terms," he said. "It is our intention to move."

Zampa cited the Bay Area's high costs for office space, residential real estate, labor, transportation and fuel as factors that affect the company and its workforce.

Aliza Gallo, manager of business development for the city of Oakland, said the company's decision to leave Oakland is a surprise and a blow, but it is more a reflection of the severe economic climate sweeping the country rather than a reflection on the city.

"Unfortunately, it is expensive to do business in the Bay Area, and the economy is forcing businesses large and small to make tough decisions," Gallo said. "And a large international company such as APL having to make that decision hurts Oakland."

The downward spiral has taken a toll in the Bay Area as businesses cut thousands of jobs in an effort to reduce costs and stay afloat.

Metro Furniture recently announced it is closing its East Oakland manufacturing facility, where it employs 100 workers, and transferring the operation to Texas. Coca-Cola announced this month that it is relocating its Oakland offices to San Ramon. About 90 workers will leave Oakland as a result.

Airlines at Oakland International Airport are cutting back, too. Aloha Airlines and ATA Airlines pulled out of Oakland this spring, and American Airlines stopped flights in and out of Oakland this fall, instead using other carriers to make connections in and out of the city.

Paul Rose, spokesman for Oakland Mayor Ron Dellums, said the mayor's office has had conversations with representatives from APL during the day and they are not ready to give up the fight.

"It's a very tough economic time, and this obviously was not good news, so the mayor's office has contacted the governor's office to explore our options, to see what we can do to keep APL in Oakland," Rose said. "The mayor wants to send a message that we will do whatever we can to fight for Oakland businesses. ... We're dealing with the loss of 350 jobs, and that's a significant blow."

With grim faces, several APL workers outside the company's signature headquarters at 1111 Broadway discussed the news Wednesday. They didn't want their names used, saying they didn't want to risk their jobs.

"They're going to move this office and lay people off. It's a double whammy," said one man who has worked for APL for about seven years. He was unsure if he would move with the company if given the option. "It'll probably be a different pay scale wherever they go, so what you've been making here might not be what you're making there."

Another man, a contractor with APL, said a decision to move would "depend on what kind of relocation package they offered, if any," he said.

Another worker said she didn't want to distress her mother with the bad news, but she had no option after local news aired the story.

"My sister told me it was on the news this morning, and my mom, who is visiting, watches TV all the time, so I had to tell her," the woman said. "It's sad that this won't be the APL building anymore. It's not a good situation, but God closes one door and opens another. So, we'll see what happens."

APL's headquarters has been in Oakland for 35 years, but the company's history can be traced to 1848 with the launch of the Pacific Mail Steamship Company, according to the Tribune's archives. That company was purchased by Dollar Steamship lines in 1925 and renamed American President Lines in 1938.

APL first introduced containerized cargo ships in 1968. Neptune Orient Lines Limited purchased APL in 1997.

The company operates more than 100 ships, serving seven continents, according to its Web site.

The company last month announced \$200 million in initiatives to reduce the company's vessel network and operating costs. Wednesday's announcement from Neptune Orient Lines Limited group President and CEO Ron Widdows said the additional cost-saving measures were taken to "place the company on a more sustainable footing through an expected severe and prolonged downturn in global containerized shipping."

Port of Oakland spokeswoman Marilyn Sandifur said it was sad that APL no longer would have its corporate offices in Oakland, but the move should have no impact on the company's maritime operations. The port is guaranteed a minimal annual payment from APL, regardless of the amount of cargo it brings in or out, Sandifur said.

Ports around the country have been hit by the drop in consumer goods movement. In Oakland, for example, cargo imports moving through the port from January through October have dropped 6.4 percent compared with the same period last year, Sandifur said. But exports rose 4.4 percent, she said, likely due to the weak dollar that makes our agricultural products more affordable to the overseas market.

The port also cut 60 to 70 jobs because of declining revenue.



Cargo gains at Charleston

Updated November 20, 2008 10:53:49 AM

The JOURNAL of COMMERCE ONLINE

Container volume at the Port of Charleston increased 6 percent in October compared with the same month in 2007.

The 146,878 TEUs handled at the port's three container terminals also represented a 16-percent increase from September's total.

Bernard S. Groseclose Jr., president and chief executive of the South Carolina State Ports Authority, said the increase was a pleasant surprise considering the weak economy, but cautioned against reading too much into the October totals. "We certainly wish this were a trend, but based on what our customers are telling us, it's more likely an aberration," he said.

Loaded import container volume was up 4 percent from the same month a year ago and 17 percent from September. Loaded exports, however, fell slightly, dropping 1 percent from October 2007 and 3 percent from September.

Breakbulk cargo also rallied in October, with 114,359 tons of cargo moved through port facilities in Charleston and Georgetown, up 47 percent from October 2007, the authority said.

Separately, the port recently issued a report that said port operations in Charleston and Georgetown last year facilitated 260,800 jobs across South Carolina, nearly 11 percent of the state's total, and almost \$45 billion in economic activity.

The study also found that port activity generated \$11.8 billion in labor income, or 13.6 percent of the state's total income, \$1.5 billion in state and local taxes, and \$18.5 billion in value-added impact, representing 12.1 of the total gross state product.



GPA to increase capacity at Savannah

November 17, 2008

The Georgia Ports Authority is increasing capacity at the Port of Savannah to attract additional cargo, according to an announcement Nov. 17 from the GPA.

"Today, the Garden City Terminal handles 2.7 million TEUs per year," said Doug J. Marchand, executive director of the GPA. "In the near future, we will have the capacity to handle more than 6.5 million TEUs annually on the same footprint, and that is good news for Georgia."

Four additional super post-Panamax cranes are expected to arrive in early February and will be in operation next May, according to the GPA. Also, KCI Special Cranes Corp. of Finland has completed construction of 14 additional rubber-tired gantry cranes for the Port of Savannah.

Marchand also reported that the GPA handled more than 8.7 million tons of cargo for all terminals for the first four months of fiscal year 2009, a 1.1% increase compared with the same period last year, although total tonnage for October decreased by 6.2%.

"Our ports are in the advantageous position of being able to attract additional cargo, even in a challenging economy, while preparing for future growth," said Marchand.

Website:

Georgia Ports Authority
www.gaports.com



Lowest peak container traffic for US in four years

Updated November 10, 2008 9:07:55 AM

The JOURNAL of COMMERCE ONLINE

Cargo volume at the nation's major container ports fell again in October, and 2008 is now expected to be the slowest year for box traffic since 2004, according to the latest Port Tracker report by the National Retail Federation and consultant IHS Global Insight.

Volume is projected to total 15.3 million TEUs for the year, compared with 16.5 million TEUs in 2007, off 7.1 percent and the lowest total since 2004, when 14 million TEUs moved through the ports. The survey blamed the continuing downturn in the U.S. economy.

The estimate is down from the survey's estimate of 15.43 million TEUs in October.

"Retail sales forecasts this year are the lowest they've been in more than half a decade, and the cargo volume we're seeing reflects those numbers," NRF Vice President for Supply Chain and Customs Policy Jonathan Gold said. "The balancing act between supply and demand is tougher than ever because retailers want to make sure they have enough merchandise on the shelves to satisfy customers and not be forced into unplanned markdowns to move excess inventory once the holidays are over."

Surveyed U.S. ports handled 1.33 million TEUs in September, the most recent month for which actual numbers are available. The number was down 2.9 percent from August and 9.8 percent from September 2007. October was estimated at 1.36 million TEUs, down 5.7 percent from a year ago. That would make October the peak month for 2008 but significantly short of the 2007 peak of 1.48 million TEU in September, 2007.

November is forecast at 1.26 million TEU, down 8.7 percent, and December is forecast at 1.21 million TEU, down 5.5 percent. January 2009 is forecast at 1.17 million TEU, down 5 percent, and February, traditionally the slowest month of the year, is forecast at 1.12 million TEU, down 8.3 percent.

The first year-over-year increase in months is expected in March, at 1.18 million TEU, a 2.3 percent increase from March, 2008.

Port Tracker's congestion rating for the Ports of Los Angeles and Long Beach continues at medium because collection of fees for the new Clean Truck Program there begins this month.

"The October startup of the Clean Truck Program regulations did not cause the disruptions we had been concerned about, but collection of fees for the program begins this month and it is not clear that all trucks will be ready," IHS Global Insight Economist Paul Bingham said. "Despite that, weak import demand has reduced pressure for port truck drivers, so capacity should be adequate."

The remainder of the U.S. ports covered by Port Tracker -- Oakland, Seattle and Tacoma on the West Coast; New York-New Jersey, Hampton Roads, Charleston and Savannah on the East Coast, and Houston on the Gulf Coast -- are rated "low" for congestion, the same as October.



CMA CGM to call new Mobile container terminal

Updated November 6, 2008 11:37:41 AM

Peter T. Leach / The JOURNAL of COMMERCE ONLINE

French carrier CMA CGM said it will start calling at the new Mobile Container Terminal with its PEX 3 service linking Asia to the U.S. Gulf and East Coast.

The carrier made the announcement in Mobile on the occasion of the official opening of the new container terminal, which is a three-way joint venture with APM Terminals and Terminal Link, a division of CMA CGM.

The first CMA CGM vessel to call Mobile will be the CMA CGM Orca, scheduled to arrive Dec. 26.

The terminal, which has a startup capacity of 350,000 TEUs, has been in operation since early October, when it received the first call by the Port of Mobile's only current container service, the AGX all-water service from Asia operated by Zim Integrated Shipping Services.

James K. Lyons, executive director of the Alabama State Port Authority, said in an interview that he expects deals with at least two more carriers by year-end.

"We think it's getting ready to take off and continue to grow despite the dip we're seeing nationally," he said. "Maersk Line is a good possibility."

Maersk and APM Terminals are units of A.P. Moller-Maersk of Denmark.

The new terminal is located close to the intersection of five Class 1 railroads. The port authority is building a new intermodal rail terminal in stages to accommodate the expected throughput of containers.

The terminal also has immediate access to Interstates 10 and 65.

The terminal, which is operated and managed by APM Terminals, will be developed in phases to full build-out capacity of 800,000 TEUs.

The project, including the separate intermodal rail terminal facility and a modern distribution complex, represents a total investment of approximately \$300 million.



Prince Rupert TEUs up

Updated November 4, 2008 10:46:14 AM

Courtney Tower / The JOURNAL of COMMERCE ONLINE

Containerized shipments moving from Asia to the United States Midwest through Prince Rupert, British Columbia, almost tripled in the third quarter from the previous two quarters -- its first full year of container operations.

The Prince Rupert Port Authority reported today that 59,220 TEUs were handled in the three months ending Sept. 30, compared with 22,515 TEUs in the second quarter and 21,040 TEUs in the third quarter.

The cumulative total of 102,775 TEUs still is far off Fairview Container Terminal's 500,000-TEU annual capacity, but is steadily growing.

The third quarter increase comes on a second service instituted last July by the Cosco-CKYH Alliance, with five ships ranging from 7,400 TEUs to 8,200 TEUs on the weekly North China-U.S. Southwest Express (CEN) service.

Prince Rupert opened container operations in September, 2007 with service from South China by the Alliance with smaller ships in a still-operating Pacific North West Service (PNWS).

So far, 50 Alliance vessels from Cosco Container Lines., "K" Line, Hanjin Shipping and Yang Ming Line have called the terminal, with 62,365 TEUs offloaded for North America, and 40,423 TEUs loaded for export. The authority said 33.6 percent of containers for export were fully loaded.

The port's containerized cargo totaled 1.03 million metric tons in the third quarter, offsetting a 28-percent drop in grain shipments due to low Canadian stocks.

Overall, the port handled 7.7 million tons of cargo through the third quarter, a slight increase of 70,000 tons over the 2007 period.

Container export volumes include growing numbers of forest products and Western Canadian petrochemicals, the authority said.

THE VANCOUVER SUN

Prince Rupert port attracts growing share of Asia trade

Derrick Penner

Tuesday, November 04, 2008

VANCOUVER - Traffic at the Port of Prince Rupert's new container terminal is running far below capacity, but it is growing, and CEO Don Krusel will take that as a silver lining given what is unfolding in the world economy.

"If we were to look back where we thought we would be 12 months ago, one would assume we'd be disappointed," Krusel said in an interview.

"We're not disappointed at all. We're the bright spot in North America."

To the end of three quarters, the port's Fairview Terminal operator, Maher Terminals, handled 102,775 20-foot-equivalent units (TEUs, with a standard container equalling two TEUs).

That means the port is running well below the 500,000 TEU annual capacity, which Krusel said it had hoped to fill by the end of the year.

The number of containers, however, grew steadily over the year from 21,040 TEUs in the first quarter to 59,220 TEUs in the third quarter. Krusel said the port has since received its results from October, which was its best month yet at the terminal by a margin of 30 per cent.

Meanwhile, U.S. terminals have experienced reduced traffic as the economy slides into recession and orders from Asia tail off.

The Port of Seattle, for instance, reported its container movements down 11 per cent at the end of the third quarter to a total of 1.3 million TEUs. The decline has been steepening month by month.

Tacoma was down 2.3 per cent to 1.4 million TEUs.

The Port of Los Angeles reported container movements down 4.8 per cent to 5.92 million TEUs, and Long Beach was down 10.5 per cent.

"Considering pretty well every other port in North America is experiencing declines, we are extremely satisfied with our results," Krusel said.

However, the Port of Metro Vancouver is another that is bucking the trend, Chris Badger, the port's chief operating officer said in an interview.

Port of Metro Vancouver's container traffic totalled 1.9 million TEUs to the end of September, up three per cent from the same point last year, but Badger said shipments are expected to slip as North American economies slow.

"Clearly, the first half of the year was better than the second half is going to be," Badger said, "and that's not surprising given the state of the global economy."

Badger said exports have proven to be a surprising strength for Metro Vancouver. Container exports from Vancouver were up six per cent at the end of the third quarter.

Badger said that is due in part to a shift in the world's break-bulk cargo fleet that has resulted in fewer of the ships calling on Vancouver.

That has forced shippers to move more traditional B.C. break-bulk cargoes - lumber, pulp and paper - into containers.

Exports have also been part of the silver lining in Prince Rupert, Krusel said. Of the 40,423 TEUs sent out, one-third were loaded with cargo, from scrap steel and recycled paper to lumber and aluminum ingots from Kitimat.



US West Coast intermodal route threatened: Report

Updated October 28, 2008 10:26:37 AM

Peter T. Leach / The JOURNAL of COMMERCE ONLINE

After years of dominating the United States maritime trade, the intermodal route connecting the major West Coast ports with interior regions is coming under threat, according to a logistics white paper published by Drewry Supply Chain Advisors.

While the recent decline of containerized imports through West Coast ports looks like the natural result of the U.S. economic slowdown, the white paper argues that these changes are structural and long-term.

The white paper, "U.S. Intermodal Today and Tomorrow," says that several factors have combined to undermine the position of America's Pacific Coast ports, not least of which is the complacency of the U.S. railroads.

For many destinations in the eastern U.S., the route via the West Coast ports is now much more expensive than the route via East Coast and Gulf Coast ports.

Users of the U.S. rail system have faced a dramatic reduction in the total size of the system, even though railroads have increased their investments in recent years. Numerous bankruptcies and mergers have left just two major U.S. Western railroads and two major Eastern railroads.

"Faced with a tightening market and rising demand, the railroads have chosen to up their prices rather than invest in significant more capacity, in the mistaken belief that they had a captive market," said Philip Damas, director of Drewry Supply Chain Advisors.

Drewry Supply Chain Advisors, a division of Drewry Shipping Consultants, analyzed the end-to-end transport costs of containers shipped to and from U.S. interior points via the West Coast and East or Gulf Coast, and the expected decline in vessel-related costs after the expansion of the Panama Canal is completed in 2014-15.

The intermodal rail route will face strong competition on several fronts, most notably through the expansion of the Panama Canal but also through the development of the Suez Canal as a route for cargo from Southeast Asia. The opening of a third set of locks on the Panama Canal will remove an infrastructure constraint and create more transit capacity for container ships using the all-water route linking Asia and the U.S.

Economic forces and infrastructure improvements are combining to favor the growth of Gulf and East Coast port routes for Asian trade. The swing away from the West Coast is likely to intensify in the coming decade, particularly for intermodal cargoes to and from the eastern U.S. states.

"Intermodal costs are certain to keep rising, while all-water costs will continue to fall, which means that the 'land-bridge' route will become less economic than the all-water route except for very time-sensitive goods," Damas said.

In addition, shippers will increasingly take the effect of fuel into account. Sea freight is considerably more fuel efficient per ton-mile than rail, so the natural conclusion is that all-water services will consolidate their advantage as fuel prices rise.

"The changes we are seeing in patterns of trade are fundamental," the report stated. "While the present downturn and the recession that might follow will hurt everybody, the ports of the U.S. West Coast will not recover so easily because their decline is part of a deeper malaise."

Drewry: West Coast ports face uncertain future

October 22, 2008

The U.S. West Coast ports' maritime industry dominance is under assault and the future of these ports "is one of almost universally progressive weakness," according to a report Wednesday by Drewry Supply Chain Advisors.

The whitepaper said that while the recent downturn in West Coast port volumes may appear to be related to a general downturn in the overall world and national economies, the authors believe the "changes are structural and long-term."

"Future growth in Asian trade to the U.S. is more likely to benefit the Gulf Coast ports -- served by the Panama Canal -- and the East Coast ports, handling Southeast Asian cargo routed via Suez," Drewry said.

The report points to several factors that are threatening the continued dominance of West Coast ports, which handle nearly half of all cargo headed into the United States.

First, data shows that despite much talk about the recent volume declines along the West Coast, ports such as Long Beach, Los Angeles, Oakland, Seattle and Tacoma have actually been losing steam for nearly three years.

"None of this takes into account the impact of the much-vaunted credit crisis, which is sure to make things worse not better in 2008-2009," the whitepaper said.

Second, railroads serving the West Coast ports are failing as transportation partners. While also looking "superficially healthy," the railroads in recent years have merely increased their market share of the intermodal market while not actually increasing volumes, Drewry said.

"Faced with a tightening market and rising demand, the railroads have chosen to up their prices rather than invest in more capacity, in the mistaken belief that they had a captive market," the report said.

A third factor is the expansion of the Panama Canal and the failure of the ports and railroads to take seriously the future impact to their businesses.

"It seems like stating the obvious to point out that railroads are fixed assets while ships are moveable assets, but this fact seems to have been forgotten by the rail companies on whose services Long Beach, Oakland and the rest depend," the whitepaper said.

“Ports, being as immobile as railroads, will suffer in a similar way.”

The authors said that with the expansion of the Panama Canal in 2014 and additional development of the Suez Canal, the competitive position of the West Coast ports will disappear.

If the average ship size through the enlarged Panama Canal increase from the current 4,800-TEU average to a 6,400-TEU average, “most places east of the Mississippi will fall out of the West Coast’s sphere of influence.”

In addition, if the average size through the new locks rises to 8,000 TEUs, then the Drewry research shows that the West Coast sphere of influence recedes to the Missouri River.

“If the (Panama) Canal Authority fulfils its boast and succeeds in getting 13,000-TEU ships through its new locks, then the U.S. West Coast ports will be ejected from the Midwest market altogether,” Drewry said.

The report points out several steps the West Coast ports can take to hold onto their market, despite the “fundamental business trends” being against them:

- Increase capacity. However, Drewry believes the current environmental climate is against this step being taken.
- Reorganize terminals for maximum efficiency.
- On-dock rail infrastructure must be expanded and trackage to selected markets must be increased.
- Importers must move distribution centers east.

“Up to 25 percent of the U.S. West Coast ports’ present cargo base (primarily hinterland cargo) could be lost to the East Coast and Gulf ports in the decade to come. How much is replaced by new volumes depends on how strongly the economies of the Pacific Coast grow in the coming decade, and whether the centers of manufacturing shift to more or less advantageous areas,” the whitepaper said. “But without radical action, intermodal distribution to the Midwest and beyond will gradually die.”



Vancouver container gains buck West Coast malaise

Updated October 17, 2008 1:27:30 PM

The JOURNAL of COMMERCE ONLINE

Container shipments sustained their growth through September at Port Metro Vancouver, British Columbia, up 3 percent on the previous-year period.

Statistics released by the port show import volume gained 3 percent through September to just over 1 million TEUs from 973,247 TEUs in 2007. Exports climbed 3 percent as well, to 901,424 TEUs from 875,583 TEUs. Overall volume totaled 1,901,705 TEUs, up 3 percent from 1,848,830 TEUs a year ago.

At the same time, the global credit crisis has spurred a severe back-up in containerized pulp shipments to China, which historically accounts for about 30 percent of British Columbia's pulp exports. The Financial Post reports that Chinese letters of credit have become very slow in being provided for shipments of pulp to China.

Pulp exports to China, and to South Korea, which takes about 7 percent of BC exports, have fallen off sharply in recent weeks.

The port said it has maintained its traffic increase because of a pickup in petrochemical and agricultural products.



New Deltaport container terminal to open in Q4 2009

Updated October 17, 2008 12:05:23 PM

Courtney Tower / The JOURNAL of COMMERCE ONLINE

Port Metro Vancouver expects to begin operations late next year at a third Deltaport container berth now under construction.

Bucking a trend towards lower container traffic in the Pacific Northwest, the new terminal will expand capacity by 500,000 TEUs at the British Columbia port complex.

Vancouver handled 1.9 million TEUs this year to Sept. 30, up 3 percent from 1.85 million in the previous-year period.

"We are probably three-quarters of the way towards completion of the marine work in dollar terms, about C\$195.1 million, which is the largest part of Port Metro Vancouver's share in the project," said Tim Glasheen, director of engineering and maintenance.

Deltaport terminal operator TSI Terminal Systems Inc. has begun work on the first contract as part of its part of the project, burying all utilities on the 50-acre site.

Glasheen said all work will be completed by the third quarter of 2009 and the new terminal will be in operation by the fourth quarter.

Excavation of 900,000 cubic meters of sand and silt is completed, for a ship approach channel, the wharf, and a tug basin. The latter now is operating. A third of the excavated material will go toward fill for the 50 acres of new land being created for the project.

A 435-meter-long trench has been dug and 10 rock-filled caissons constructed to form the wharf for post-Panamax ships, which will have an alongside depth of 52 feet. Environmental work will create new fish and bird habitats, and rock reefs, in the area.

Daily Breeze

Traffic drops at ports for imported goods

By Art Marroquin, Staff Writer
10/15/2008 11:08:15 PM PDT

Demand is down for expensive imported goods for the upcoming holiday season, as reflected in shipping figures released Wednesday by the ports of Los Angeles and Long Beach.

The twin ports saw a combined 12.1 percent drop in imports last month, reflecting the worries of retailers who expect to sell fewer flat-screen televisions, fancy sneakers and furniture during the upcoming holidays.

"The outlook for the holiday sales season is pretty grim with a 1 to 2 percent decline in sales compared to last year," said Jack Kyser, chief economist for the Los Angeles Economic Development Corp.

"You're going to see continued declines in imports in 2009 before you see any kind of real change," he said. "The outlook is not positive."

Cargo container traffic dropped 6.69 percent at the Port of Los Angeles in September, compared to the same period last year, according to figures released Tuesday. The port handled nearly 693,000 cargo containers last month, down from more than 742,000 containers handled in September 2007, according to port figures.

Overall, the Port of Los Angeles has experienced a 4.81 percent drop in shipments so far this year, while the Port of Long Beach has seen an 8.5 percent decline.

"The weak economy and high energy costs continue to play a role in our decline in volume in 2008," Port of Los Angeles executives said in a statement. "Shipping lines are consolidating services and eliminating port calls due to under-utilized vessels."

The numbers were even more dire at the neighboring Port of Long Beach, where cargo container traffic was down 15.2 percent last month, compared to a year earlier.

The significant drop in Long Beach last month partially stems from the fact that a string of ships had moved their business to the Port of Long Angeles.

"That made our numbers weaker than they ordinarily might have been," Wong said. "On top of that, people will be buying a lot less during the holiday season, which means we'll be moving fewer goods through the ports during what should be a peak time for us."

ILWU workers seeing less work at major West Coast ports

October 9, 2008

Slumping cargo volumes at major West Coast ports have led to a dramatic downturn in the amount of work offered to union dockers, especially part-time casuals, according to documents from the Pacific Maritime Association.

Nearly 24,000 members of the International Longshore and Warehouse Union working at six major West Coast ports have collectively received 3.75 million fewer work hours so far this year, a 15 percent drop compared to the same period last year.

PMA, which represents the West Coast shipping lines and marine terminal operators that employ ILWU workers, also details that union work levels at the ports of Long Beach, Los Angeles, Oakland, Vancouver USA, Seattle and Tacoma have all fallen to their lowest point in at least three years.

In California, the Long Beach and Los Angeles ports have seen available total ILWU hours drop 9.3 percent while the Oakland port has seen a 5.5 percent decline.

In Washington State, the Port of Vancouver USA has seen a 13.4 percent drop in available work hours, while Seattle has dropped 3.8 percent and the Port of Tacoma has seen a decline of 2.3 percent.

The drops are more significant when the various types of ILWU workers are broken out.

The ILWU has two generic types of workers: casual members and registered members. Casuals are part-time workers who must accumulate a set number of work hours within a certain period to qualify for a full-time registered position. Registered positions include longshoremen, clerks and foremen. Because the casuals only get extra work that cannot be filled first by full-time ILWU members, the current downturn at the ports has hit the casuals significantly harder.

The nearly 9,500 ILWU casuals in Southern California have experienced the worst West Coast reduction, with a nearly 60 percent drop off in available work hours from 1.64 million hours for the first 41 weeks of last year to 687,000 hours this year. These are work levels not seen by casuals at the Long Beach and Los Angeles ports since 1999.

Work available for the nearly 300 Oakland casuals has dropped by nearly 47 percent, from 28,236 hours last year to 15,186 hours this year. The last time casuals in Oakland saw this level of available work was in 2002.

The PMA also reports that available work hours for Vancouver USA casuals have slipped from 52,588 last year to 23,528 this year -- a reduction of more than 55 percent. The 75 Vancouver casuals last saw similar work levels in 2005.

The 275 casuals at the Seattle port have seen a 25 percent drop in available work hours from 130,526 hours last year to 97,971 hours this year. The nearly 325 ILWU casuals working the nearby Port of Tacoma have seen a similar 24 percent drop in available work, sliding from 116,295 hours last year to 88,438 this year. Both ports last saw similar casual work levels in 2003.

Since they receive the first selection of available work, the more senior full-time ILWU members have seen much smaller drops in the amount of work being offered.

So far this year, regular ILWU dockers at the Long Beach port have seen a 7.6 percent drop in available work hours from 6.63 million last year to 6.12 million this year. Regular dockers at Los Angeles fared much better, shedding about 120,000 work hours, or 1.4 percent, from the 8.78 million hours worked in the first 41 weeks of 2007. The ILWU, which considers the two ports as a single port complex, lists a combined total of just over 9,500 active full-time members at the two ports.

The more than 1,600 full-time dockers at the Port of Oakland have been able to work 1.9 million hours so far this year, down 5.5 percent from the 2.04 million hours worked during the same period in 2007.

In Washington State, the 200 full-time dockers at the Port of Vancouver USA have seen available work hours drop 7.1 percent, or 24,465 hours, from the 348,496 hours available last year.

Seattle and Tacoma port full-time dockers have experienced almost no drop-off in available work, with a 2 percent and 1 percent decline, respectively. Available hours for the 1,100 full-time dockers at Seattle fell from 1.6 million last year to 1.57 million this year. At Tacoma available hours for nearly 1,000 full-time ILWU members fell from 1.8 million hours last year to 1.78 million this year.

The drops in available work follow hand in hand with sliding year-to-date cargo volume numbers reported by five of the six ports. Cargo volumes at the Long Beach port are down 9.9 percent through August while Los Angeles is down 4.55 percent. The two ports moved a combined 9.56 million TEUs in the first eight months of the year.

Oakland port officials have reported moving 1.5 million TEUs so far this year, down 3.6 percent from the same period last year.

In the Puget Sound area, the Port of Seattle has seen a 10.1 percent drop in cargo volumes to nearly 1.2 million TEUs.

Tacoma port officials have shed about 21,000 TEUs through August, a 1.7 percent drop from the 1.26 million TEUs moved during the year ago period.

The Port of Vancouver USA does not publish monthly TEU numbers. — [Keith Higginbotham](#)

Mexico launches shipping project

08:13 PM PDT on Thursday, August 28, 2008

By DAN KEANE
The Associated Press

ENSENADA, MEXICO - President Felipe Calderon opened bidding Thursday for construction of a huge new seaport that could eventually rival the twin ports of Los Angeles and Long Beach, the largest port complex in the United States.

Mexico's \$5 billion Punta Colonet project would transform a wind-swept Mexican bay 150 miles south of the border into a booming city, creating 80,000 jobs, drawing freighters from Asia and funneling manufactured goods north.

"We're looking to be sure we don't fall behind in making Mexico a strategic logistics platform for trade and global investment," Calderon said while touring the beach where the port will stand.

Story continues below



A planned railroad would link Punta Colonet to the United States, allowing freight to skip Southern California traffic and head directly to points across the Midwestern U.S., including Chicago. Planners have yet to determine where the tracks would cross the border -- although El Paso, Texas, and Yuma and Nogales, Ariz., have been mentioned.

The port would be the largest infrastructure project of Calderon's administration, which has pledged hundreds of millions of government dollars for highways, railroads and airports in the last year in an effort to create jobs and pump cash into Mexico even as the world economy slows.

The bidding process could conclude late next year, and Punta Colonet could start operating in 2012, said Jose Rubio, project director for Mexico's Baja California state, which is working with the federal government to develop the port.

By 2020, the port should be able to annually handle 6 million TEUs, or twenty-foot equivalent units, a measurement used to estimate container traffic, Transportation Secretary Luis Tellez said.

Los Angeles and Long Beach meanwhile processed a combined 15 million TEUs in 2007.

Punta Colonet would serve "more like a relief valve for us than a direct competitor," said Theresa Adams Lopez, spokeswoman for the Port of Los Angeles. "There are plenty of boxes to go around."

Calderon announces bidding for Punta Colonet project

By Sandra Dibble

UNION-TRIBUNE STAFF WRITER

7:30 p.m. August 28, 2008

ENSENADA – Traveling to a remote coastal community 150 miles from the U.S. border Thursday, President Felipe Calderon formally announced the bidding for Mexico's \$5 billion rail-and-seaport project at Punta Colonet.

Billed as the most ambitious infrastructure project of Calderon's administration, the port would open a new trans-Pacific route for Asian products headed to the American heartland. It would capture some of the trade that currently heads to ports at Long Beach and Los Angeles, which both face congestion.

The Punta Colonet container ship project "is one of those that truly transforms and revolutionizes the productivity of the country," Calderon said in a speech at the port of Ensenada following his visit to Punta Colonet, a rural area with about 3,500 residents.

Mexico's federal Secretariat of Communications and Transportation is expected to publish the bid specifications next week. The winning bidder, to be announced in 2009, would receive a 45-year concession to operate the port and rail line to the U.S. border.

The port would open with a capacity for 2 million shipping containers but its capacity would triple within 15 years, Secretary Luis Tellez said. Mexican officials Thursday gave diverging startup dates, from 2012 to 2014.

The project would entail not only a new port, but a new rail line and a new U.S. border crossing, Tellez said. It involves planning for a community of 200,000 residents at Punta Colonet, and will require a number of spinoff projects, such as new roads and a desalination plant.

Mexican officials are proposing four possible locations for a border crossing to connect to U.S. railroads: through Mexicali; Yuma, Arizona; the twin border communities of Nogales; and outside Ciudad Juarez, across from the Texas border at El Paso.

The \$5 billion investment in Punta Colonet would rival the sum being spent to double the capacity of the Panama Canal, Tellez said. Some have said the canal's expansion would divert crucial trade from Puerto Colonet, harming its possibilities; but Tellez touted the proposed Baja California port's location as key to its success.

Ernesto Ruffo, a former Baja California governor, said he knows of at least three groups that are preparing to submit proposals for the project, which has been four years in the planning.

Ruffo is consultant to one of the groups; he said he could not disclose its name, but Baja California

businessman Roberto Curiel Amaya is one of the consortium's participants.

Mexican billionaire Carlos Slim is expected to participate in one of the groups.

The project “will become an economic engine for Mexico,” Ruffo said.

At one point, Nebraska-based Union Pacific Railroad and Hutchison Port Holdings, a Chinese port conglomerate, were considered the leading contenders to build the port. The partnership dissolved last year.

Zoe Richmond, a spokeswoman for Union Pacific, said Thursday that it was unlikely that the company would join in the bidding process. “It is a project that we're monitoring,” she said. “This has been such a long process, and so many different things have happened, who's to tell what might happen in the future.”

Among those looking on Thursday was Tamotsu Yamada of the Japanese company, Mitsui de Mexico. He said they would review the bid specifications before deciding whether to move forward: “We have done investment in this country, and looking for more, but it must be feasible.”

Mexican officials predict the project would generate more than 80,000 jobs in a largely rural area. It would “transform the southern part of Baja California into a more productive and prosperous region,” Calderon said.

Jesus Lara, a spokesman for several communal groups in Punta Colonet, said the project will be welcomed by the area's residents, who depend largely on agriculture and ranching.

“It will bring services that will raise the quality of life in the region,” Lara said in a telephone interview. “Our reaction is one of jubilation, knowing that this project is finally moving forward.”

Study: Cargo diversions contributing to SoCal ports volume declines

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Sizable diversions to other ports, in combination with a souring U.S. economy, have eroded cargo volume gains achieved at the Southern California ports over the past five years, according to a study released last week.

Despite the ports of Long Beach and Los Angeles recording significant gains in exported containers for the past two years, the study found that declines in imported and empty container shipments through the first half of 2008 had reduced the two ports' total container volumes to mid-2003 levels.

Presented by maritime consulting and engineering firm Moffatt & Nichol to the governing board of the Alameda Corridor Transportation Authority on Thursday, the study found that more than half of the two ports' import losses since January, nearly 200,000 TEUs, are "likely due to diversions of discretionary cargo" as shippers seek cost-saving alternatives.

Most likely causes for the diversions are increases in long-haul rail intermodal rates, additional capacity through the Canadian ports of Vancouver and the newly opened Prince Rupert, and shippers opting for Panama/Suez Canal alternatives to the U.S. East and Gulf coasts, the study authors told the ACTA board.

The study found that rail movements of containerized goods from the U.S. West Coast have decreased more than 8.3 percent through the first quarter of 2008 compared to the same period in 2007.

While many in the industry have raised concerns that recently imposed container fees at the two Southern California ports could spark mass cargo diversions, the study's authors were not ready to support the hypothesis. "It is premature to conclude that the diversion component is due to future infrastructure and environmental fee proposals," the authors said.

A 2006 academic study concluded that container fees above a certain level could spark mass cargo diversions from Long Beach and Los Angeles to other ports. If the fees climb to \$100 per TEU or more, the U.C. Berkley study found, the Southern California ports face the potential loss of at least 1 million TEUs each per year. An existing \$50 per TEU PierPass gate fee, will be joined by year end by a \$35-per-TEU and \$15-per-TEU taxes imposed by the port authorities earlier this year. In addition, a state bill approving a \$30-per-TEU fee is awaiting a signature from Gov. Arnold Schwarzenegger, in order to be assessed by the end of the year.

Despite the news of import declines at the two ports in the first half of 2008, the study found double-digit increases in exported containers handled have "largely offset" the losses.

The study predicted that the ports will move back to their typical volume trends by the end of the year, "but outlook is weak through 2011."

Long Beach, the second-busiest port in the nation, reported an 8.7 percent decline during the first six months of 2007, while the Los Angeles port, the busiest container port in the nation, recorded a 6.76 percent slide.

Combined, the two ports have slipped 7.7 percent from the year ago period, according to the study.

Despite the declines, the two ports remain the busiest container ports in the Western Hemisphere, far outpacing the third ranked port of New York-New Jersey.

Since the beginning of the year, industry analysts have projected that the two ports' volumes would register a significant upturn during the second half of the year, offsetting the then-projected estimates of a dismal first half. However, declines during the first half of the year turned out to be much higher than earlier estimates projected.

Container volumes at the Port of Long Beach dropped 12.5 percent for the month of June compared to the year-ago period, while the neighboring Port of Los Angeles reported a one-month 11.7 percent drop in total container volumes over June 2007.

June marked the 14th monthly decline for Los Angeles in the past 16 months. The Los Angeles port has not recorded a monthly increase of more than 1 percent since February 2007.

Next door, Long Beach has reported month-to-month declines for eight of the past nine months, however the one non-declining month, December 2007, registered a statistically insignificant increase of 0.02 percent.

Despite the two ports suffering the largest declines of the four major U.S. West Coast port complexes, the Moffatt & Nichol study found that the Southern California ports retain a "better than 70 percent share of West Coast volumes." — [Keith Higginbotham](#)