



Parsing the October 2017 Loaded TEU Numbers

As we go to publication of this month's newsletter, the Ports of Los Angeles, Long Beach, and Oakland have already reported their November container statistics. At the two San Pedro Bay ports, imports were up 10.6% (+75,241 TEUs) over November 2016, while exports edged up 2.0% (+6,020 TEUs). Things were less positive at Oakland, where import traffic fell 1.6% (-1,143 TEUs) from last November while exports were down by 10.3% (-8,873 TEUs).

Long Beach, Oakland, Tacoma, and Seattle - collectively handled 5,316 more inbound TEUs in October than they did in October 2016 for a year-over-year gain of just 0.6%. The two San Pedro Bay ports saw combined growth of 1.2% or 8,376 TEUs. A decline of 6.5% (-7,782 TEUs) was posted at the Northwest Seaport Alliance Ports of Seattle and Tacoma. Oakland recorded a 6.4% rise (+8,823 TEUs) from last October. North of the border, Vancouver and Prince Rupert combined to post a 9.2% gain (+15,256 TEUs).

Inbound loaded container traffic in October. The five major U.S. West Coast (USWC) container ports - Los Angeles,

[Continued](#)

Exhibit 1	October 2017 - Inbound Loaded TEUs at Selected Ports					
	Oct 2017	Oct 2016	% Change	Oct 2017 YTD	Oct 2016 YTD	% Change
Los Angeles	383,385	417,311	-8.1%	3,866,906	3,713,480	4.1%
Long Beach	339,013	296,711	14.3%	3,198,258	2,900,366	10.3%
Oakland	76,706	72,084	6.4%	764,411	736,235	3.8%
NWSA	109,983	117,665	-6.5%	1,149,459	1,134,829	1.3%
NYNJ	305,729	289,092	5.8%	2,837,033	2,666,225	6.4%
Philadelphia	20,298	18,256	11.1%	227,577	192,337	18.3%
Maryland	41,526	33,389	24.4%	395,017	352,017	12.2%
Virginia	125,075	114,093	9.6%	1,059,795	975,322	8.7%
South Carolina	80,728	78,341	3.0%	798,282	738,611	8.1%
Georgia	188,369	150,930	24.8%	1,583,531	1,397,716	13.3%
Jaxport	23,618	21,026	12.3%	242,210	210,512	15.1%
Port Everglades	26,918	25,962	7.1%	295,151	277,117	6.5%
Miami	44,163	39,939	10.6%	435,197	436,980	-0.4%
New Orleans*	20,289	21,595	-6.0%	200,352	218,464	-8.3%
Houston	99,641	80,276	24.1%	894,956	731,175	22.4%
Vancouver	131,890	131,052	0.6%	1,386,153	1,257,631	10.2%
Prince Rupert	48,688	34,270	42.1%	433,907	373,508	15.2%
Manzanillo	113,533	104,224	8.9%	1,038,625	950,430	9.3%
Lazaro Cardenas	57,251	47,147	21.4%	473,747	441,595	7.3%

*Does not distinguish loaded from empty containers.

Source Individual Ports



Parsing the October 2017 Numbers Continued

On other coasts, the ports we track mostly posted solid year-over-year gains in October, despite weather disruptions. New York/New Jersey saw a 5.8% (+16,637 TEUs) increase over October 2016. Virginia was up 9.6% (+10,882 TEUs). Houston's import traffic soared in October by 24.1% (+19,365 TEUs). While the Georgia Port Authority reported a huge 24.8% gain (+37,439 TEUs), the South Carolina Port Authority recorded a more modest 3.0% increase (+2,387 TEUs).

On the export loaded TEU side, the Big Five USWC ports handled 38,691 fewer outbound loaded TEUs this October than they had a year earlier, a decline of 9.2%. None of the five reported year-over-year increases, although Long Beach came closest with a 0.5% (-620 TEUs) dip in export containers. Meanwhile, the two British Columbia ports saw their outbound trades slip by 5.9% (-6,823 TEUs). Numbers at the East/Gulf Coast ports we track were much more positive. Although Virginia saw a 1.2% (-1,046 TEUs) slump, Georgia (+27.6% or +27,767 TEUs) and South Carolina

(+8.2% or +5,450 TEUs) fared much better. The Port of New York/New Jersey showed a more modest gain of 1.3% (+1,531 TEUs), while Jaxport surged 41.7% (+12,285 TEUs) over October of last year.

Looking at U.S. Commerce Department value and weight trade statistics, USWC ports recorded a 1.8% year-over-year rise in containerized import tonnage in October. As a result, the USWC share of mainland U.S. containerized import tonnage fell to 38.2%, a drop from their 38.5% share in September and from a 40.2% share in October 2016. At the San Pedro Bay Ports of Los Angeles and Long Beach, the share of U.S. mainland containerized import tonnage in October was 28.4%, down from 28.9% in September and from 29.6% a year earlier.

By declared value of containerized imports at U.S. mainland ports, USWC ports held a 48.1% share in October, down from 49.0% in September and from a 49.4% share in October of last year. At the Ports of Los Angeles and Long

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Exhibit 2 October 2017 - Outbound Loaded TEUs at Selected Ports

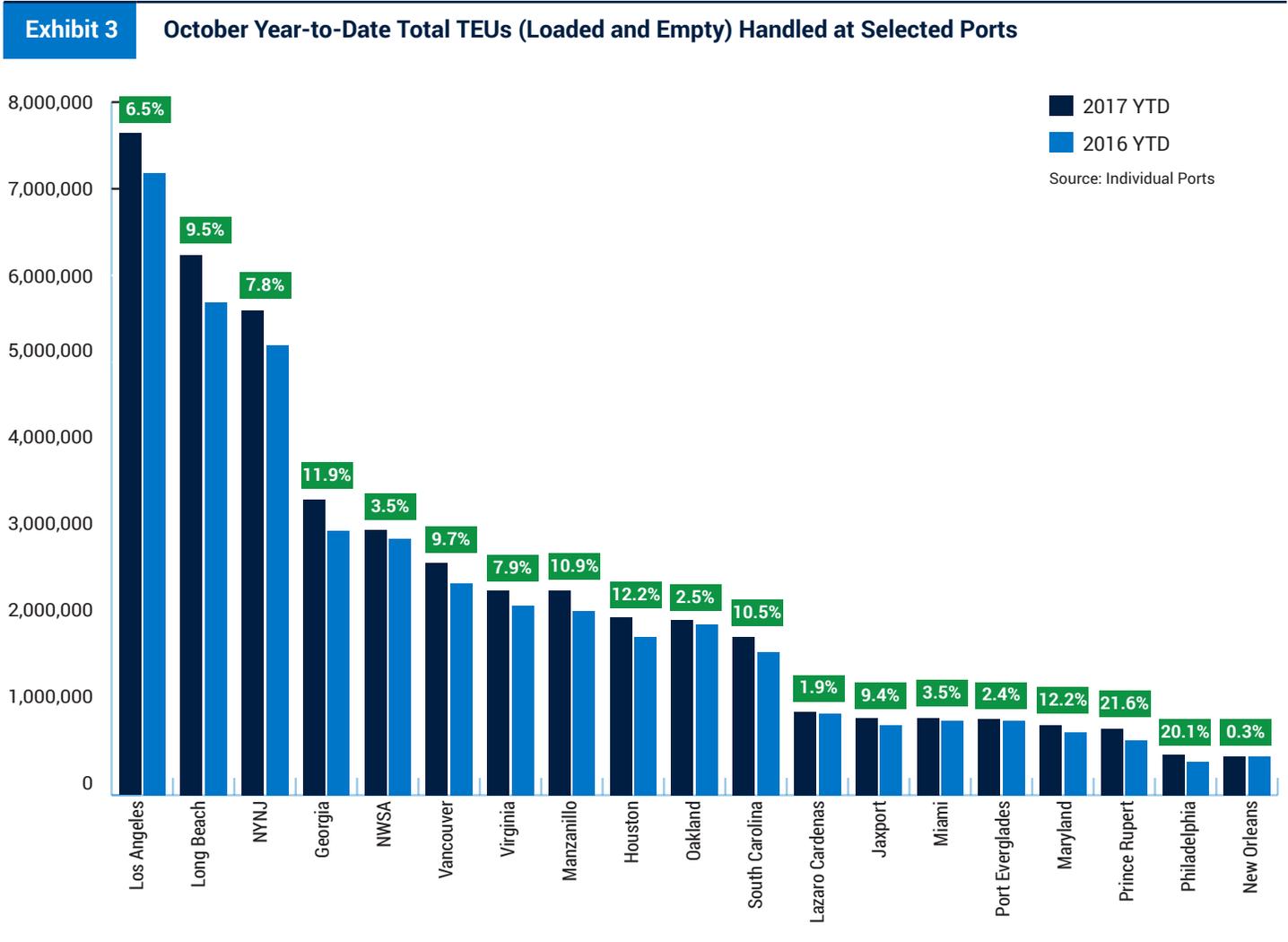
	Oct 2017	Oct 2016	% Change	Oct 2017 YTD	Oct 2016 YTD	% Change
Los Angeles	144,210	166,406	-13.3%	1,569,148	1,476,243	6.3%
Long Beach	126,150	126,770	-0.5%	1,206,704	1,285,669	-6.1%
Oakland	85,930	89,473	-4.0%	772,358	783,937	-1.5%
NWSA	76,431	88,763	-13.9%	770,378	802,344	-4.0%
NYNJ	121,203	119,672	1.3%	1,165,469	1,129,671	3.2%
Philadelphia	23,175	18,017	28.6%	236,474	194,179	21.8%
Maryland	22,930	22,124	3.6%	202,155	197,155	2.5%
Virginia	87,750	88,796	-1.2%	836,635	825,045	1.4%
South Carolina	71,637	66,187	8.2%	670,727	620,992	8.0%
Georgia	128,403	100,636	27.6%	1,140,875	1,063,033	7.3%
Jaxport	41,756	29,471	41.7%	340,185	315,367	7.9%
Port Everglades	41,040	39,196	4.7%	361,971	343,843	5.3%
Miami	47,689	35,821	33.1%	431,417	419,962	2.7%
New Orleans*	23,893	18,795	27.1%	245,477	226,019	8.6%
Houston	80,521	73,905	9.0%	806,526	770,978	4.6%
Vancouver	91,564	101,110	-9.4%	913,446	910,291	0.3%
Prince Rupert	18,085	15,362	17.7%	134,488	138,645	-3.0%
Manzanillo	67,541	72,288	-6.6%	649,342	589,553	10.1%
Lazaro Cardenas	22,190	16,650	33.2%	176,585	186,896	-5.5%

*Does not distinguish loaded from empty containers.

Source Individual Ports



Parsing the October 2017 Numbers *Continued*



Beach, the combined share of the value of mainland U.S. containerized imports in October was 37.4%, down from 38.0% last October.

By declared weight of containerized exports, USWC ports saw a 1.7% fall in tonnage from October 2016. USWC ports' share in October stood at 33.9%, down sharply from 36.3% a month earlier and down substantially from their 41.1% share in October 2016.

By declared value, USWC ports held a 32.3% share of containerized shipments from mainland ports in October, down from 33.3% in September and from 35.8% a year ago. The Los Angeles/Long Beach port complex saw its share

of the value of containerized exports from mainland ports decline to a new low of 21.1% in October, down from a 21.5% share in September and a 23.8% share a year earlier.

The Transpacific Trade. Now looking solely at U.S. containerized trade with the economies of East Asia, USWC ports' share of the declared weight of the contents of containerized imports arriving at mainland ports from East Asia maintained a downward trend, falling to 55.1% from 56.7% in September and from 60.0% in October 2016. October's share of containerized import tonnage from East Asia was the lowest in any month since the dock slowdown during the winter of 2014-2015. The coastwide decline in

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Parsing the October 2017 Numbers *Continued*

October was partly attributable to a months-long shipping slowdown at the Port of Tacoma, which saw a 21.54% year-over-year fall-off in containerized import tonnage from East Asia. Importantly, the Ports of Long Beach and Los Angeles saw their combined share of containerized import tonnage from East Asia in October slip to 43.3% from 46.3% a year earlier. In contrast to lackluster numbers for USWC ports, maritime gateways elsewhere saw substantial year-over-year gains in East Asian imports: Houston posted a 27.9% increase, while Savannah and Charleston respectively recorded 15.6% and 12.9% year-over-year growth.

In dollar-value terms, USWC ports likewise saw their share of containerized imports from East Asia trade decline further. In October, USWC ports held a 65.6% share of the declared value of containerized imports from East Asia at U.S. mainland ports, down from 66.6% in September and from 67.9% in October 2016.

For containerized exports to East Asia from mainland ports, the USWC share by declared weight tumbled to 54.7% in October, down from 55.4% in September and from 60.2% in October 2016. On a value basis, the USWC share in October also dropped to 63.3% from 63.9% in September and from 66.1% last October.

Worldwide Destinations and Origins. By declared weight, China is the leading destination of USWC containerized exports with a 28.4% share in October, but that is down from its 35.8% share a year ago. Japan was second with a 11.8% share, up from 10.9% a year earlier. South Korea held a 10.41% share, up from 10.1% last October. Taiwan saw its share decline 9.0% from 9.6% last October, while Vietnam took a 5.6% share of USWC exports, up from 3.6% a year earlier.

China dominated the containerized import trade via USWC ports with a 56.3% share in October, down from its 57.2% share in October 2016. Japan accounted for 5.5% of import tonnage, identical to its share a year earlier. Trailing behind were Vietnam (4.9%, up from 4.4%), Taiwan (4.2% up from 3.9%), and South Korea (3.6%, down from 4.0%).

NWSA Woes. The Northwest Seaport Alliance Ports of Tacoma and Seattle continued to underperform in October. Statistics compiled by the Pacific Maritime Association show widely varying patterns for the two ports. At Seattle, PMA figures show a 20.3% (+9,016 TEUs) increase in inbound loaded containers over last October but a 24.6%

drop (-21,289 TEUs) year-over-year slide at Tacoma. Likewise, Seattle's outbound trade was up 6.9% (2,530 TEUs) while Tacoma was down 18.7% (-14,145 TEUs). U.S. foreign trade statistics reveal a similar dichotomy in terms of the declared weight of foreign shipments moving through the two ports. Seattle's imports were up 18.0% over October 2016, while its containerized export tonnage rose 14.2%. Tacoma, meanwhile, handled 18.3% less import tonnage than it had a year earlier and 13.5% less export tonnage in October than it had a year earlier. Container traffic at Tacoma began a pattern of year-over-year declines in both imports and exports in May. Tacoma's trade with China has receded substantially. October exports to China were down 27.0% from a year earlier, while imports from China were down 29.5%. Seattle, by contrast, maintained a 2.1% year-over-year growth in its exports to China but was buoyed by huge jumps in exports to South Korea (+93.1%) and Japan (+38.1%).

Reverberations of China's Get-Clean restrictions on recyclable imports. Those Chinese restrictions on imports of scrap paper, metals, plastics, and other recyclables are already taking a serious bite out of containerized exports from West Coast ports. Shipments of scrap paper (HS 4707) is of greatest concern because it has been filling so many backhaul containers. While the new restrictions do not officially kick in until next year, containerized HS 4707 exports to China in October were down 39.8% by weight from the same month last year. This is significant because, at times this year, scrap paper shipments have accounted for as much as 45.3% of containerized tonnage shipped to China from USWC ports. Chinese policies aimed at improving the quality of scrap imports are also affecting trade in recyclable plastic. Shipments of HS 3915 (Waste, Parings, and Scrap of Plastics) were down 55.9% in October from a year earlier.

While China is raising the barrier to imports of various waste products, others are not. October USWC exports of scrap paper to Vietnam leapt by 1280.1% (+28,711 kg.) over the same month a year earlier, while shipments to Taiwan were up 232.7% (+25,530 kg.). Still, those possibly opportunistic buys only partly offset the 252,335 kg. year-over-year drop in HS 4707 shipments from USWC ports to China.



Jock O'Connell's Commentary: "If you've seen one port..."

Every port is unique.

To be sure, ports all face common challenges like quarrelsome neighbors, hyper-active regulators, enigmatic shipping lines, the trend to ever-larger vessels, impatient cargo owners, obstinate labor unions, rising sea levels, etc. Still, ports historically arose to serve the areas immediately surrounding them. And, to varying degrees, ports are still in the business of catering to local markets.

Along the U.S. West Coast, there are four large container ports that, while serving the shipping needs of regional businesses and consumers, are primarily gateways for trade involving broad swaths of North America. At the Ports of Los Angeles and Long Beach, for example, as much as 70% of inbound shipments are destined for markets outside of Southern California. In the Pacific Northwest, the Ports of Tacoma and Seattle likewise see a significant share of their foreign trade originating in or destined for markets east of the Cascades. That means they traffic in goods that closely reflect the nation's trade patterns.

At mainland U.S. ports, the two leading containerized imports by weight are normally furniture followed by auto parts. That's the case the San Pedro Bay ports as well as the Washington State ports.

At the Ports of Los Angeles and Long Beach, the top ten containerized imports by weight this year have been:

- 1) Furniture (HS 9403)
- 2) Auto Parts (HS 8708)
- 3) Seats (HS 9401)
- 4) Tires (HS 4011)
- 5) Semi-finished Iron Products (HS 7207)
- 6) Toys (HS 9503)
- 7) Electric Heaters (HS 8516)
- 8) Unglazed Ceramic Paving Stones
- 9) Screws, Nut, Bolts (HS 7318)
- 10) Exercise Equipment (HS 9506)

Six of those commodities also rank among the Top Ten containerized imports list at the NWSA ports, which

also features such nationally demanded products as Plywood Panels (HS 4412); Machinery Parts (HS 8431); and Lamps (HS 9405). The one somewhat idiosyncratic item among the NWSA ports' leading imports is, not surprisingly, Coffee (HS 0901). Washington State, after all, is preeminently Starbucks country.

Things are different at the West Coast's other large container port, the Port of Oakland. Although it is currently the nation's eighth largest port in terms of total TEUs handled, the preponderance of its trade serves the needs of the surrounding Northern California Mega-Region.

On the export side, Oakland is the principal gateway for the export of agricultural products from an arc of counties stretching from Sonoma and Napa to the north, through the Central Valley, and back through Monterey and Santa Cruz. This region is arguably the most valuable agricultural real estate on the planet. Not surprisingly, the Port of Oakland's top ten export commodities (by weight) include rice, nuts, citrus fruit, grapes, forage products, meats, tomatoes, and wines in addition to a selection of scrap and waste commodities. By contrast, Oakland handles very little of the advanced-technology products for which the San Francisco Bay Area is chiefly famous. Virtually all of Northern California's technology exports travel by air to overseas destinations.

But Oakland's real distinction lies on the import side, where it serves not just a regional market but a market that is richly emblematic of the Bay Area life-style.

By weight, Oakland's top two containerized imports are wine, followed immediately by the glass containers in which to pour wines. (Casks and barrels, about 90% of which come from France, are somewhat lower on the port's import list.)

Also among Oakland's top imports are such Trader Joe's or Whole Foods staples like coffee, beer, preserved fruits and nuts, and bottled water (with Italy, Fiji, and France accounting for over 90% of that liquid trade).

Wine imports may arrive at the Port of Oakland in bottles,

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“If you’ve seen one port...” Continued

but the bulk of the trade involves bulk wines shipped in formats such as plastic bladders that can hold upwards of 24,000 liters. That’s enough to fill 32,000 standard bottles or 2,667 cases.

Still wines in conventional bottles continue to account for about 41% of the port’s wine imports, while bottled sparkling wines such as Champagne hold a roughly 6% share. But generally lower quality wines shipped in bulk represent 53% of wine imports through Oakland. Chile, Australia, Italy, Argentina, and New Zealand have lately been the principal sources of the East Bay port’s wine imports.

As for the imported bottles, they mostly come from China and Taiwan, with smaller amounts sourced in France and the United Arab Emirates.

The United Arab Emirates? Indeed, through the first three quarters of 2017, the UAE has shipped \$10.1 million worth of glass containers to the Port of Oakland.

Interesting story. During the last week of January each year, the Sacramento Convention Center hosts the Unified Wine & Grape Symposium, the largest wine industry trade show in the Western Hemisphere. Each year since 2003, I’ve gone to check up on the health of the industry.

This past January, I chanced upon an elegant but condescending woman representing Saverglass, a French manufacturer of premium wine bottles.

“So you ship them here from France?” I asked.

“Well, not entirely. Some come from Dubai.”

“Dubai? Okay, I guess that makes sense. They obviously have lots of sand to make bottles.”

“No, no, no. Desert sand is not suitable for wine bottles. We ship the sand from France to Dubai.”

“Of course, you do.”

One can only imagine what the back-haul is.

Anyway, it’s nice to know that through September of this year, the Port of Oakland – the maritime gateway to Whole Foods, Trader Joe’s, and Kermit Lynch – handled 10,985 metric tons worth over \$10 million dollars in fancy wine bottles from a Muslim country.

Merry Christmas.

Jock’s comments are his own and do not necessarily represent the views of PMSA.



Photo courtesy of the Port of Oakland



Looking Ahead To 2018

By John McLaurin,
President, Pacific Merchant Shipping Association

The supply chain in California and the state of Washington will face many regulatory and legislative challenges in 2018 in addition to increased competition as highlighted by West Coast ports declining market share compared to trade gateways throughout North America.

Specific Issues

Climate Change, Emission Reductions and Container Fees

In California, all aspects of the supply chain are already regulated either by the California Air Resources Board (CARB), local air districts, or subject to tariff or lease requirements by public port authorities – or all three. Regulatory measures, coupled with voluntary initiatives by marine terminals, ocean carriers and others in the supply chain have dramatically reduced port related emissions. Overall diesel pollution for marine terminal and cargo handling equipment has been reduced by 96% from 2006 levels. Cargo handling equipment for California's three container ports amounts to 0.0747% of the state's Green House Gas emissions inventory.

Despite the past success in dramatically reducing emissions, CARB is moving ahead with statewide rules for expansion of its at-berth regulations for ALL vessels at a 100% compliance level; will be working on creating a 100% zero-emission equipment regulation for marine terminals; and, along with the South Coast Air Quality Management District, is actively considering an Indirect Source Rule for the supply chain. Container fees have already re-surfaced as potential funding mechanisms to generate revenue for various emission reduction programs.

Washington's Governor is signaling he wants to follow California's path to promote electrification of yard equipment, and possibly vessels. Despite repeated requests by legislators and interest groups, including PMSA, the Governor's Office is unwilling to release any details of his plan. However, legislators report the Governor's staff

has suggested the plans could be implemented without legislative involvement.

Unfortunately for marine terminals, the cost of these programs is not counterbalanced by any state or local efforts allowing terminals flexibility in reducing their emissions while improving efficiency, velocity or density of their operations.

Terminal Operations

With the recent adoption of the Port of Los Angeles and Long Beach Clean Air Action Plan (CAAP), the ports are expected to move forward with their desire for a port-wide appointment system and the adoption of mandatory turn times, which may contain penalties for truckers and marine terminals. The ports will also focus on removing chassis from the terminals and consider creating a neutral pool manager for San Pedro Bay. In the Pacific Northwest, there will be pressure to amend leases to ban drayage trucks that don't meet clean air goals. A major issue for these programs will be whether the ports policy directives maintain the operational silos that exist today or whether they take a holistic approach and seek (or demand) changes from each supply chain partner for greater efficiency.

Vessel Restrictions

Along the West Coast, whale strike avoidance, the impact of vessel noise on marine mammals and efforts by native tribes to protect fishing grounds and assert treaty rights will result in ongoing efforts to pursue vessel speed reductions, operational restrictions or tug escort expansion for various port access points and coastal transits.

Ballast Water Treatment

The states of California and Washington continue to move in directions separate from the rest of the country regarding ballast water regulations. In California, a shore-side study of ballast water treatment to meet the state's discharge standard will be completed soon and will go to the



Looking Ahead To 2018 *Continued*

State Lands Commission for consideration. The Commission will also have to complete another review of ballast water treatment efficacy to meet the currently unachievable discharge standard, for delivery to the Legislature in 2018. The shore-side treatment study will play into its recommendations, but whichever path California chooses, the Commission must ask the Legislature to either amend its standard or delay implementation for the fourth time, since regardless of the path chosen, the California discharge standard will not be met by best available technology before January 1, 2020. In Washington State, the Department of Fish and Wildlife is expected to undertake another effort to implement a vessel arrival fee to pay for a state ballast water management and oversight system. The wild card is the effort in Congress to impose uniform federal standards and place state programs under the U.S. Coast Guard's purview. Passage of federal legislation is far from assured.

Taxes and Fees

Ocean carriers and marine terminal operators should anticipate new fees and taxes imposed by state and local authorities. We anticipate an effort to impose container fees and vessel arrival fees. In the state of Washington, a recent State Supreme Court decision in a school funding case will drive a search for an additional \$1.1 billion in revenue in 2018. This need will spur legislative consideration of tax increases. It is anticipated that there will be at least one, and possibly multiple, ballot initiatives to institute a statewide carbon tax. The Department of Ecology continues to push a vessel arrival fee to augment the barrel tax to pay for an expanding oil spill response program.

Political Landscape

The states of California and Washington will continue to counter what they view as a hostile federal government and undertake their own efforts to save the world from the impacts of climate change.

From a legislative perspective, Democrats control both legislative houses in both states. Democrats' control in both chambers in Washington state is limited to a single vote majority. In California, the Democrats recently lost their two-thirds supermajority with the resignation of a State Senator. This loss of a supermajority is likely short-lived as the seat is a reliable Democrat seat. The supermajority represents the threshold necessary to pass tax increases or other revenue measures without any Republican votes. Washington State has been more moderate regarding the enactment of climate change legislation due to a Republican-controlled Senate; however, now that Democrats will have a Senate majority in 2018, more aggressive legislative proposals are anticipated.

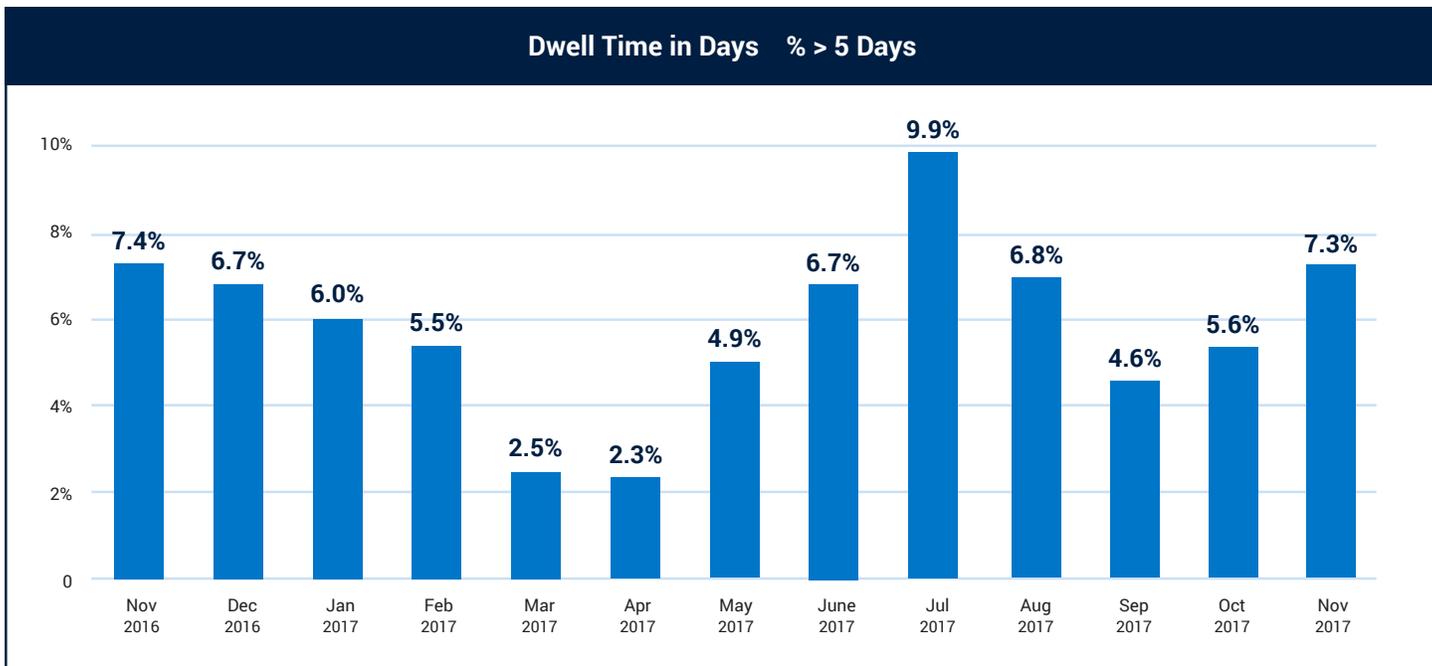
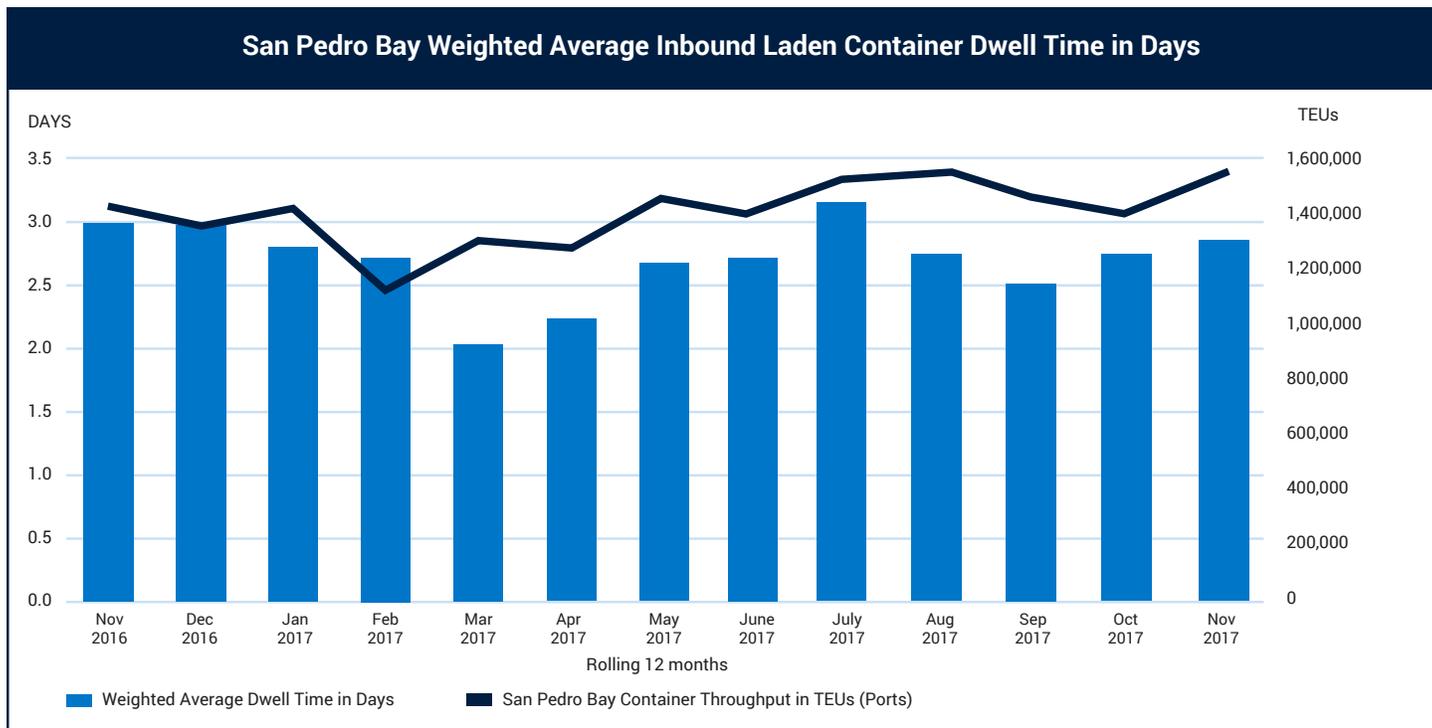
Local port authorities will continue to pursue "transformative" environmental changes. Some interest groups will pressure elected officials and regulators to impose ever higher standards, tougher restrictions and accelerated implementation on sources of air pollution regardless of existing progress on emissions reductions. Many of these activities will (and are) occur(ing) without credible cost benefit analysis or any counterbalancing program to minimize costs or analyze competitiveness and rely on aspirational technological breakthroughs to achieve zero emission equipment goals.

In California, ports and regulators acknowledge the tens-of-billions of dollars costs to meet these goals, but offer no credible revenue stream to industry. In Washington State, recent administrative regulatory rulings have made waterfront projects responsible for all emissions related to the transport of energy products, from "cradle to grave" – something that may be expanded to ports and marine terminals handling all types of cargo.

The New Year poses many challenges for California and Washington State's supply chain with the industry facing additional costs, fees and operating restrictions.



Container Dwell Time Increases In November



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