PMSA

West Coast Trade Report

January 2019

Parsing the Latest Container Trade Numbers

Parsing the November 2018 Loaded TEU Numbers

We now turn to a detailed look at November's loaded container traffic. Please note: The numbers here are not the products of forecasting algorithms but rather the actual TEU counts provided by the North American seaports we survey each month. Also note that, unless otherwise stated, the numbers in this analysis do **not** include empty containers.

On the inbound side, November's container trade through U.S. West Coast ports fell sharply from the preceding month, when the region's five principal container ports handled 157,583 more inbound loaded TEUs than they had a year earlier, a 17.3% gain. Instead, November saw coastwide import traffic slip 2.7% (-26,137 TEUs) from November 2017.

The change was most conspicuous at the Ports of Los Angeles and Long Beach, where November's 5.1% year-over-year drop in inbound loads contrasted with October's 17.7% jump. Indeed, the two ports handled 107,238 fewer inbound loaded TEUs in November than they had in October, a 12.6% decline.

Imports fared better elsewhere on the USWC. Oakland reported a strong 15.3% (+11.034 TEUs) gain, while the

Exhibit 1 November 2018 - Inbound Loaded TEUs at Selected Ports

	Nov 2018	Nov 2017	% Change	Nov 2018 YTD	Nov 2017 YTD	% Change
Los Angeles	422,793	463,691	-8.8%	4,401,676	4,330,597	1.6%
Long Beach	319,877	319,210	0.2%	3,724,279	3,517,468	5.9%
San Pedro Bay Totals	**742,670**	**782,901**	**-5.1%**	**8,125,955**	**7,848,065**	**3.5%**
Oakland	83,364	72,330	15.3%	878,496	840,820	4.5%
NWSA	116,607	113,547	2.7%	1,313,750	1,162,921	13.0%
USWC Totals	**942,641**	**968,778**	**-2.7%**	**10,318,201**	**9,851,806**	**4.7%**
Boston	12,824	10,588	21.1%	136,108	118,429	14.9%
NYNJ	301,826	285,070	5.9%	3,358,781	3,122,103	7.6%
Maryland	42,794	37,698	13.5%	467,800	432,715	8.1%
Virginia	112,218	110,673	1.4%	1,215,845	1,170,469	3.9%
South Carolina	84,125	76,580	9.9%	921,387	874,862	5.3%
Georgia	169,159	144,181	17.3%	1,904,927	1,727,712	10.3%
Port Everglades	31,836	30,580	4.1%	336,455	325,732	3.3%
Miami	33,494	36,006	-7.0%	379,350	362,404	4.7%
USEC Totals	**788,276**	**731,376**	**7.8%**	**8,720,653**	**8,134,426**	**7.2%**
New Orleans	8,655	11,600	-25.4%	110,791	107,187	3.4%
Houston	101,320	87,306	16.1%	1,079,296	982,262	9.9%
USGC Totals	**109,975**	**98,906**	**11.2%**	**1,190,087**	**1,089,449**	**9.2%**
Vancouver	151,585	152,686	-0.7%	1,604,758	1,546,000	3.8%
Prince Rupert	44,843	46,493	-3.5%	517,162	480,398	7.7%
British Columbia Totals	**196,428**	**199,179**	**-1.4%**	**2,121,920**	**2,026,398**	**4.7%**
US/BC Totals	**2,037,320**	**1,998,239**	**2.0%**	**22,350,861**	**21,102,079**	**5.9%**

Source Individual Ports

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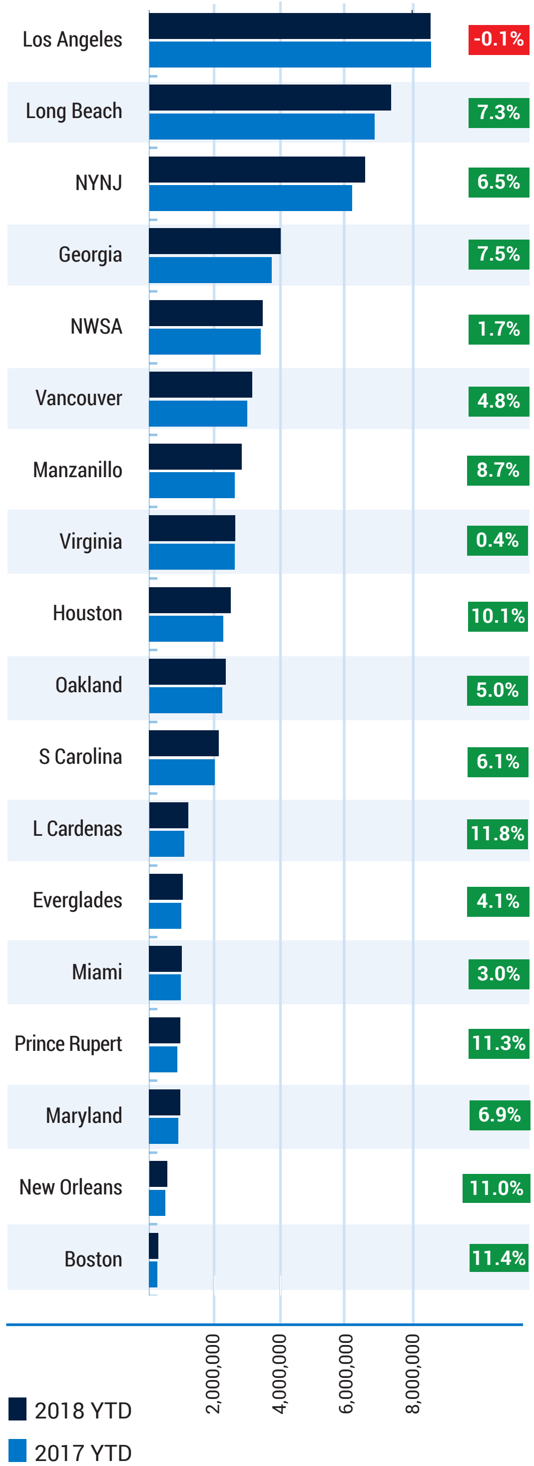
Parsing the November 2018 Numbers Continued

Exhibit 2 November 2018 - Outbound Loaded TEUs at Selected Ports

	Nov 2018	Nov 2017	% Change	Nov 2018 YTD	Nov 2017 YTD	% Change
Los Angeles	152,527	177,913	-14.3%	1,756,090	1,747,061	0.5%
Long Beach	115,774	126,364	-8.4%	1,409,680	1,333,068	5.7%
San Pedro Bay Totals	**268,301**	**304,277**	-11.8%	**3,165,770**	**3,080,129**	2.8%
Oakland	77,285	77,042	0.3%	825,415	850,336	-2.9%
NWSA	83,677	81,911	2.2%	868,147	877,224	-1.0%
USWC Totals	**429,263**	**463,230**	-7.3%	**4,859,332**	**4,807,689**	1.1%
Boston	6,737	6,489	3.8%	74,293	80,016	-7.2%
NYNJ	115,415	128,760	-10.4%	1,360,853	1,294,229	5.1%
Maryland	17,581	18,631	-5.6%	212,051	220,786	-4.0%
Virginia	77,789	87,695	-11.3%	902,369	924,331	-2.4%
South Carolina	61,903	63,782	-2.9%	749,001	734,510	2.0%
Georgia	108,240	113,278	-4.4%	1,345,898	1,254,153	7.3%
Port Everglades	39,077	40,207	-2.8%	420,539	402,200	4.6%
Miami	31,249	33,920	-7.9%	362,342	357,483	1.4%
USEC Totals	**457,991**	**492,762**	-7.1%	**5,427,346**	**5,267,708**	3.0%
New Orleans	19,211	22,357	-14.1%	266,882	252,856	5.5%
Houston	89,400	74,791	19.5%	990,420	881,317	12.4%
USGC Totals	**108,611**	**97,148**	11.8%	**1,257,302**	**1,134,173**	10.9%
Vancouver	99,075	89,949	10.1%	1,024,035	1,003,397	2.1%
Prince Rupert	16,068	17,284	-7.0%	190,377	151,771	25.4%
British Columbia Totals	**115,143**	**107,233**	7.4%	**1,214,412**	**1,155,168**	5.1%
US/BC Totals	**1,111,008**	**1,160,373**	-4.3%	**12,758,392**	**12,364,738**	3.2%

Source Individual Ports

Exhibit 3 November Year-to-Date Total TEUs (Loaded and Empty) Handled at Selected Ports



Source: Individual Ports

Parsing the November 2018 Numbers Continued

Northwest Seaport Alliance recorded a 2.7% (+3,060 TEUs) increase.

By comparison, the U.S. East Coast ports we monitor posted a combined 7.8% (+56,900 TEUs) increase over November 2017. The only USEC port reporting a fall-off was Miami, down 7.0% or 2,512 TEUs. (For the second straight month, the Port of Jacksonville was unable to provide its latest container trade statistics. We have accordingly provisionally dropped that port from our exhibits.)
Like their competitors to the south, the two British Columbia ports saw imports sag in November, with Vancouver down 0.7% (-1,101 TEUs) and Prince Rupert off 3.5% (-1,650 TEUs).

For the year through November, the San Pedro Bay gateways processed 277,890 more TEUs than they had through the same stretch in 2017.

While individually the Ports of Los Angeles (+4,401,676 TEUs) and Long Beach (+3,724,279 TEUs) handled more inbound loaded TEUs than any other North American port through November, neither equaled the year-over-year growth reported by the Port of New York/New Jersey, which saw its inbound trade increase by 236,678 TEUs. Both the Port of Savannah (+177,215 TEUs) and the Port of Houston (+97,034 TEUs) bested the 71,079 TEUs increase at the Port of Los Angeles.

All told, the U.S. and Canadian mainland ports which provide us with detailed container statistics reported a collective 12.3% (+249,080 TEUs) increase in inbound loaded traffic over November of 2017.

A note on interpreting these import statistics. *Before jumping to any conclusions about the relative competitiveness of ports on America's respective coastlines, it is worth reminding ourselves of what should be abundantly obvious: ships take longer to get from Asia to East and Gulf Coast ports. Why is this worth noting? Because U.S. imports have lately been rising not just because our steadily expanding economy has been drawing in larger volumes of foreign goods but also because President Trump had been threatening to further boost tariffs on Chinese goods on January 1. (Chinese products accounted for 40.1% of the $753.34 billion in containerized imports that entered U.S. ports last year.) That threat prompted importers to bolster their inventories by accelerating shipments of imported goods from China. In assessing this unusual surge to transport goods from China to the U.S., we should keep in mind that ships which departed, say, around mid-month would likely make landfall at West Coast ports later that same month. But they would not likely make it to Gulf or East Coast ports until early the next month. So, shipments which left Chinese ports on the same day could be recorded as imports in different months depending on the location of the ports in which the goods were unloaded. While this may be a perennial statistical issue, it has been lately exacerbated by last fall's sprint past the Customs House.*

On the outbound loaded container side of the ledger, trade was almost universally dismal, with two major exceptions. Houston posted an impressive 19.5% (+14,609 TEUs) jump in outbound loads over the same month in 2017, while Vancouver reported a 10.1% (+9.126 TEUs) increase.

At the two San Pedro Bay ports, outbound loads were off 11.8% (-35,976 TEUs) as the Port of Los Angeles sustained a 14.3% (-25,386 TEUs) decline, while 10,590 fewer TEUs (an 8.4% drop) sailed from the Port of Long Beach. Meanwhile, Oakland registered a slight 0.3% (+243 TEUs) gain, while the Northwest Seaport Alliance Ports of Seattle and Tacoma saw a more respectable 2.2% (+1,766 TEUs) increase over the previous November.

In British Columbia, the bump in exports at Vancouver was partially offset by a 7.0% (-1,126 TEUs) fall-off at Prince Rupert.

Along the East Coast, only Boston (+248 TEUs or +3.8%) registered a year-over-year increase in exports in November. The Port of New York/New Jersey handled 13,345 fewer TEUs than in November 2017, while the fall-offs at Virginia (-9,906 TEUs) and Savannah (-5,038 TEUs) contributed to the overall 7.1% (-34,771 TEUs) decline in loaded outbound boxes along the U.S. Atlantic Seaboard.

Despite the sharp drop in inbound loads at New Orleans, the USGC saw a handy 11.8% (+11,463 TEUs) increase owing to Houston's strong (+14,609 TEUs) performance.

Parsing the November 2018 Numbers Continued

Northwest Seaport Alliance. Statistics compiled by the Pacific Maritime Association show that November loaded imports at the Port of Tacoma were up by 13.6% (+8,711 TEUs) from last November, while outbound traffic slipped by 3.5% (-2,122 TEUs). At the Port of Seattle, import containers were up by 15.0% (+8,554 TEUs), while outbound shipments were off by 3.4% (-1,522 TEUs). We hasten to add our usual caveat that PMA numbers often differ from those collected by the ports themselves. We offer the PMA statistics only to shed light on how the two partners in the NWSA are faring individually.

Soybeans. While the recently announced Chinese commitment to resume buying American soybeans is welcome news for USWC ports, the long-term benefits for ports in the Pacific Northwest may be muted as American soybean exporters seek to lessen their dependence on the Chinese market while Chinese importers look to diversify their sourcing. In much the same way that periodic labor disputes prompted BCOs to reduce their reliance on U.S. West Coast ports, Beijing's suspension of soybean purchases seems to have served as a wake-up call for soybean exporters. As they move to develop new markets abroad, more shipments are likely be channeled through East and Gulf Coast ports.

2018 YTD Totals (Loaded + Empties). Of all the ports we monitor, just one sustained a year-over-year decline in total container traffic during the first eleven months of 2018. That port is the nation's largest, the Port of Los Angeles, which handled 8,492 fewer TEUs (-0.1%) than it had during the same period a year earlier. The Port of LA's experience contrasted with its next-door neighbor, the Port of Long Beach, which posted a 7.3% improvement (+501,788 TEUs). That left the San Pedro Bay twins with a combined 3.2% gain (+493,296 TEUs), which accounted for 25.7% of the overall gain of 1,917,231 TEUs at the mainland U.S. ports we survey. Altogether, the Big 5 USWC ports accounted to 34.6% of the increase in U.S. mainland port container traffic through the first eleven months of 2018.

Federal Government Shutdown

While the impasse between the President and House Democrats is having increasingly far-reaching and often unanticipated consequences, it is depriving us of statistics on U.S. trade during the month of November. That month's numbers should have been released by the U.S. Census Bureau's Foreign Trade Division on January 8. Accordingly, we are currently unable to provide data on the share of U.S. containerized trade – measured by declared weight and dollar value – that moved through USWC ports in November.

A First Glance at December's TEU Numbers

January is customarily the month when ports convene annual meetings to discuss how they've fared in the past year and to offer a few thoughts on what's likely to happen before the next year's annual introspection. For us, that means that ports which normally release monthly container statistics by the time we usually like to go to print are apt to hold them back so as to heighten the drama of their state-of-the-port presentations. So we have been patient. And here's what we got.

Along the U.S. West Coast (USWC), the year's final month saw mighty bumps in container imports but sizable lags in exports. At Los Angeles, the nation's largest container port, the number of inbound loaded TEUs jumped by 21.6% year-over-year, while outbound loads slipped by 3.2%. Next door at Long Beach, inbound loads were up a respectable 7.9%, but outbound loads plummeted 17.5%. It was pretty much the same story at Oakland and at the Northwest Seaport Alliance Ports of Seattle and Tacoma. At the Northern California port, inbound traffic was up 10.6%, but its outbound trade was off 10.1%. Inbound loads at the NWSA ports were up 17.8% as export loads slipped by 1.7%. Altogether, the USWC ports saw import loads surge by 15.1%, while export loads fell back by 8.4% from the previous December.

Elsewhere in December, the Port of Houston enjoyed a year-over-year 6.4% gain in loaded inbound TEUs alongside a 4.1% increase in container exports. The Texas port also reported a 9.9% rise in the total number of loaded and empty boxes handled in 2018 to 2,699,850 TEUs. Charleston posted a 10.8% gain in imports but a 12.7% drop in exports. Meanwhile, the small but proud Port of Boston says it handled 10.0% (+27,155 TEUs) more containers in 2018 than it had a year earlier.

Jock O'Connell's Commentary:
Keeping TEUs in Perspective

Just about every month around the time ports announce their latest container tallies, I get calls from reporters soliciting my thoughts or at least a pithy quote on what the numbers might imply and, as is often the case these days, whether the figures support the popular narrative that U.S. West Coast ports are losing market share to their rivals on the East and Gulf Coasts or up in British Columbia.

Before ringing off, the callers will usually ask if there is anything else they should know, if there might be something going on in the world of foreign trade they're missing.

"Well, you could look at airfreight," I often offer.

"Thanks, maybe I will," is the polite response from people I suspect are thinking: "Sure, I'll do that when pigs fly."

Well, Jimmy Olsen, pigs, along with a wide variety of livestock, do fly, and with some regularity. So do an awful lot of other things.

I bring this up because much of what appears in the media about America's foreign trade could be leaving a distorted impression of how goods are moved across borders or oceans. For example, scarcely an article dealing with a trade issue appears in a newspaper or magazine without an accompanying photograph of a fully-laden container ship. Similarly, television news producers evidently believe their on-air "talent" can't read a script dealing with the latest trade controversy unless they're posing against a backdrop of towering ship-to-shore cranes. (Perhaps we should be grateful they can at least find the nearest seaport.)

Here along the West Coast, talk about maritime trade almost invariably morphs into talk about containers, and the relevant numbers are expressed in Twenty-foot Equivalent Units or TEU. That's fairly understandable since nearly 48% of the 31,772,921 loaded TEUs that mainland U.S. ports handled through November of last year passed through five maritime gateways in California and Washington.

While even first-term legislators in Sacramento and Olympia probably know what a TEU is, there are at least a couple of huge downsides to the popular predilection for counting TEUs, comparing this month's volumes with the figures from a year ago (which admittedly is a large part of what this newsletter does), and then obsessing over what the numbers mean.

For one thing, TEU traffic is frankly not an especially accurate barometer of America's foreign trade. Even though folks who are paid to move boxes are apt to be finnicky about keeping track of the numbers of boxes they move, what's in the boxes is far more important from an economic perspective. GNP, after all, is not denominated in TEUs but in dollars. (That's why, when the Census Bureau's Foreign Trade Division isn't shut down, this newsletter supplements TEU data with statistics on the declared value of containerized goods.)

Similarly, although the various facets of the maritime supply chains do have an enormous physical presence and employ legions of workers, the value of the goods transported in maritime containers is much less imposing than one might conclude from what we read in the papers or see on TV.

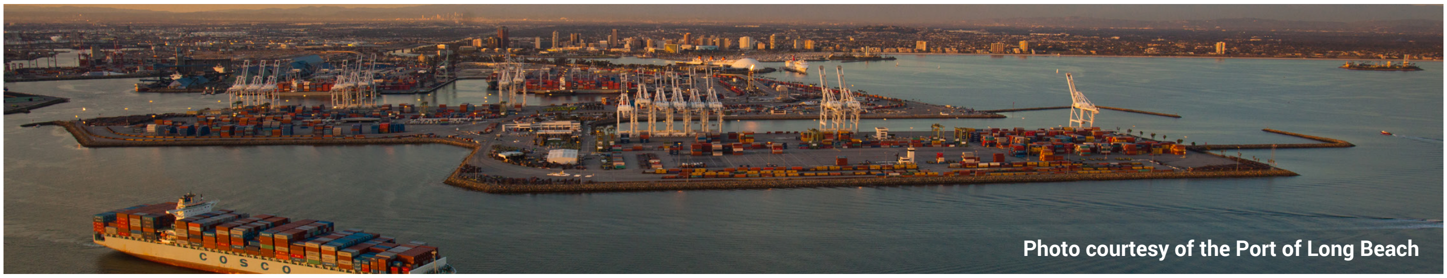


Photo courtesy of the Port of Long Beach

Commentary Continued

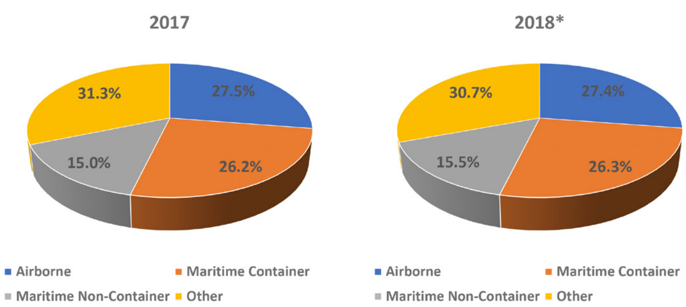
For the sake of perspective, it's worth spending a moment deconstructing America's trade statistics.

In 2017, the last full year for which official data are available, U.S. international trade totaled $5.25 trillion, a quarter of which (25.5%) was trade in services. Of the $3.89 trillion in merchandise trade, $1.55 trillion were exports and $2.34 trillion were imports.

Now, how were these imports and exports transported? Below are three Exhibits showing the modal shares of U.S. foreign trade in 2017 and through the first ten months of the asterisked 2018.

Exhibit A **Modal Shares of the Value of U.S. Merchandise Trade**

Source: U.S. Census Bureau, Foreign Trade Division



For starters, it's useful to keep in mind that approximately 30% of the nation's foreign trade is conducted with Canada and Mexico, and almost 90% of that commerce moves overland by truck, rail, and pipeline.

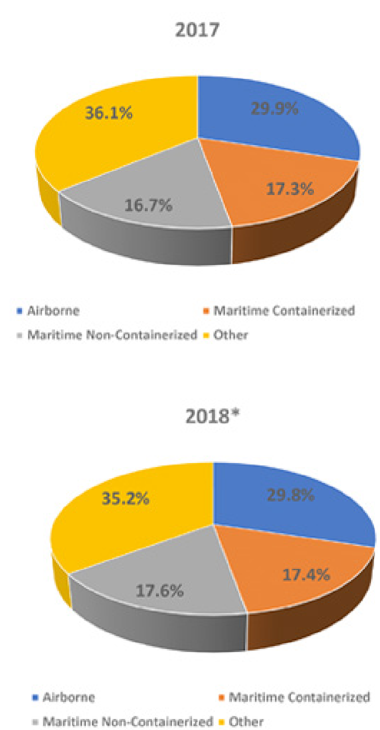
Another 15% or so of our foreign trade is comprised of non-containerized shipments of goods, typically commodities with very low value-to-weight/volume ratios. (Owing to our declining reliance on imported oil, it's been a diminishing share in recent years, even before Chinese tariffs on U.S. soybeans shot up last summer.) Then there are the cornucopia of goods traveling in seaborne containers. Through October 2018, that trade represented 26.3% of the nation's total merchandise trade.

Missing anything? Oh, yeah. Those uninteresting airfreight shipments. Through the first ten months of last year, they accounted for a 27.4% share of the nation's merchandise trade. That's right, airports handle slightly more of the nation's international trade than do all the container terminals at America's seaports.

Air freight's role is more pronounced on the export side. (See Exhibit B.) That shouldn't be surprising given the generally high-value, time-sensitive nature of what's transported by air. In a high-tech economy like the San Francisco Bay Area, the great majority of the region's exports depart through San Francisco International Airport. In 2017, SFO handled $29.13 billion in export shipments, as opposed to the $15.77 billion worth of containerized goods that sailed from the Port of Oakland. (Through October of 2018, the respective numbers are $24.54 billion and $14.02 billion.)

Exhibit B **Shares of Value of U.S. Export Trade by Mode of Transport**

Source: U.S. Census Bureau, Foreign Trade Division

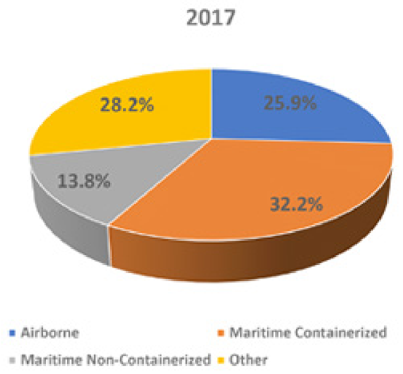


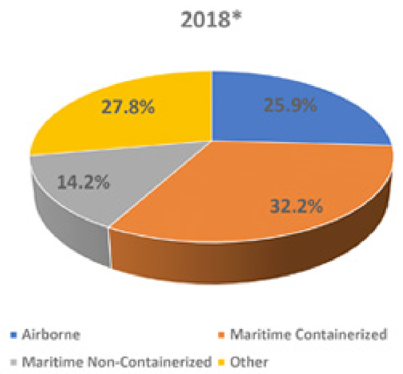
Commentary Continued

It's on the import side where the value of containerized trade reasserts itself. (See Exhibit C.)

Exhibit C **Shares of Value of U.S. Import Trade by Mode of Transport**

Source: U.S. Census Bureau, Foreign Trade Division





In Southern California, the value of containerized imports handled at the Ports of Los Angeles and Long Beach dwarf the value of imports arriving at LAX. The neighboring seaports handled $283.63 billion in containerized imports in 2017 and $252.46 billion through the first ten months of last year. By contrast, import shipments at LAX totaled $56.21 billion in 2017 and $51.67 billion through October 2018.

Similarly, in the Pacific Northwest, the Ports of Seattle and Tacoma collectively handled $52.77 billion in containerized imports in 2017 ($46.25 billion through October last year) as opposed to just $9.53 billion (and $8.57 billion) at Seattle-Tacoma International Airport.

Things were different in the San Francisco area, however, where SFO handles the preponderance of the region's import as well as exports. In 2017, aircraft delivered $34.49 billion in imports to SFO, while $26.15 billion in containerized goods were off-loaded at the Port of Oakland. The numbers for 2018's first ten months were $29.86 billion at SFO and $23.12 billion at Oakland.

Not to diminish what seaports do, but it's wise to remember that diamonds come in small boxes.

Disclaimer: *The views expressed in Jock's commentaries are his own and may not reflect the positions of the Pacific Merchant Shipping Association.*

MTOs: Logistics Favorite Whipping Boy

By Thomas Jelenić
Vice President & General Counsel, Pacific Merchant Shipping Association

At the end of 2018, no one was happy. The reports of congestion flowed from every industry media outlet that you can imagine. Reports of full warehouses, congested terminals, chassis shortages, and other issues plaguing the logistics industry at the end of year demonstrated the difficulty of the challenge.

Everyone with a cargo problem pointed to San Pedro Bay marine terminal operators as the source. And why shouldn't they? Described as terminally congested even during periods of lower volumes and free-flowing cargo, LA/LB port facilities are everyone's knee-jerk whipping boy for cargo woes. So, it was easy when cargo dwell

MTOs Continued

time started rising and truck turn-time increased that everyone's attention turned to the ports. The headlines almost wrote themselves, facing a deluge of cargo trying to avoid (now postponed) end-of-year tariffs: more cargo, congested terminals, clearly it was the fault of poorly run terminals.

But a closer look reveals a far more nuanced situation. Volumes in November and December were actually lower than October, while November year-over-year numbers for San Pedro Bay were lower. Only December year-over-year numbers were higher, though still lower than two months earlier. The issue of congestion across the logistics chain is clearly not a matter of the capacity to handle current volumes. At the same time, the Journal of Commerce ran articles of Southern California warehouses at capacity, marine terminals running out of space to store containers, of cargo owners deploying "mobile storage" (known to the rest of us as containers-on-chassis), and of up to 30% of scheduled terminal appointments being missed.

Clearly, what was happening was not a "congestion" problem as we are so often wont to assume. Rather, it appears the logistics industry and, in turn, cargo owners were facing a systemic "storage" problem. As more cargo came ahead of the tariff deadline than was being consumed on retail shelves or on production lines, the supply chain turned into a storage chain. None of the tariff-beating cargo was pre-planned by the cargo owners who pushed it through the system – three months of consistently high volumes exhausted the system's capacity to store it. From warehouses, to "mobile storage", to marine terminals, to even vessels in the form of at least 29 extra loaders, any spot that could be found to stick cargo was used. The available data supports this conclusion. Despite lower cargo volumes in November and December than October, terminal dwell time is now higher and the Pool of Pools reported lengthy street dwell at 7+ days. PMSA has been reporting dwell time since May 2016. In that time, average dwell time only exceeded 3 days twice, back in 2016. The percent of containers remaining on-dock for more than 5 days averaged around 6% and has never been double digits. From October to December, the percent of containers remaining on-dock for more than 5 days was 11% or greater, peaking in November at 13.9% - marine terminals as warehouses. Finally, end of year holidays during a normal slow time for the supply chain exacerbated these problems.

Nonetheless, let us consider something unthinkable: these problems were largely unavoidable. However much every logistics stakeholder wishes that their counterparts manage their businesses in a more efficient manner that does not impose costs on them, inefficiency is not what the logistics industry fell victim to at the end of 2018. Rather, it was an industry desperately trying to respond to the needs of their customers who were making dramatic changes to their business as a means of managing global uncertainty caused by rapidly shifting trade policy. Even if they could (which they couldn't), no rational business will deploy hundreds of millions of dollars' worth of assets in anticipation that their customers might change their business practices because global trade policy may change almost instantly.

That does not mean that there is not room for improvement. The key question is how do you make each stakeholder properly value the capacity of other stakeholders. The industrial capacity of the logistics industry must be used optimally in order for the industry to be sustainable. Whether that capacity is terminal appointments, equipment, and labor; warehouse and dock space; or service hours of a truck driver; the right mechanisms must be found to ensure cargo flows efficiently. That includes cargo owners, who ultimately will need to pay the price when their short-term business practices change in a way that stretches the capacity of existing infrastructure. The industry can start addressing these issues holistically, where **all** participants in the supply change their operations to produce a better system or maybe we can just repeat the recriminations next year.

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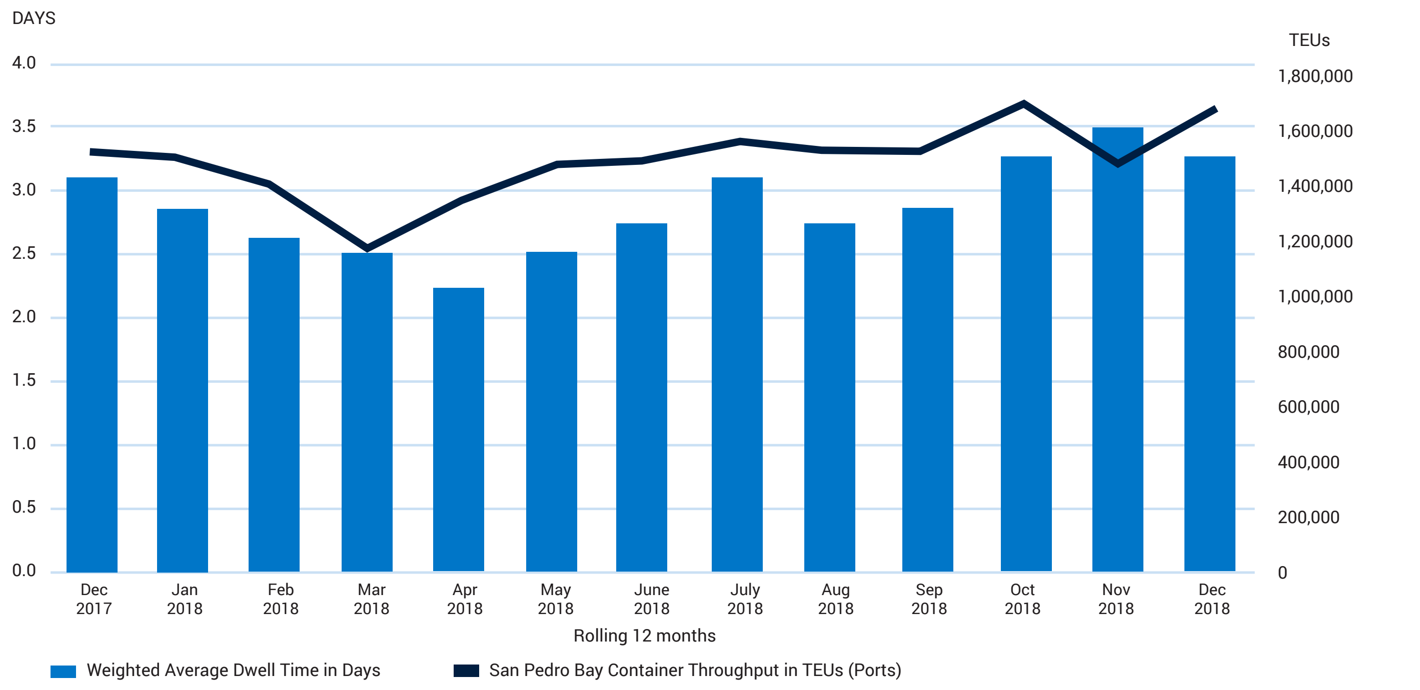
December Dwell Time Numbers Are Down

San Pedro Bay Weighted Average Inbound Laden Container Dwell Time in Days



Dwell Time in Days % > 5 Days