



## Provisionally Assessing the Early 2017 Numbers

2017 started well for U.S. West Coast (USWC) ports but then faltered. That's hardly news. The fault lies chiefly with the moveable feast that is the Lunar New Year, which customarily skews maritime trade numbers during the first couple of months each year. This time around, USWC container trade surged year-over-year in January, but early returns from the Ports of Los Angeles, Long Beach, and Oakland show that inbound volumes - at least at those three major ports - diminished sharply in February.

Let's start with the good news brought by January's data. Statistics compiled by the Pacific Maritime Association reported a 5.9% increase in discharged (inbound) traffic in January (911,973 TEUs) from the same month a year earlier (861,485 TEUs). Trade on the

[Continued](#)

Photos courtesy of the Port of San Francisco  
Credit: Jay Ach



### Exhibit 1 January 2017 - Inbound Loaded TEUs at Selected Ports

	Jan 2017	Jan 2016	% Change
Los Angeles	415,423	367,209	13.1%
Long Beach	298,990	278,491	7.4%
Oakland	80,443	77,639	3.6%
NWSA	128,892	108,441	18.9%
NYNJ	260,725	247,129	5.5%
Maryland	40,302	34,907	15.5%
Virginia	101,302	84,186	20.3%
South Carolina	83,098	66,295	25.3%
Georgia	154,363	129,554	19.1%
Port Everglades	30,982	28,499	8.7%
Houston	84,589	65,196	29.7%
Jaxport	25,010	21,725	15.1%
Vancouver	129,139	135,478	-4.7%
Prince Rupert	40,989	39,540	3.7%
Manzanillo	71,416	64,091	11.4%
Lazaro Cardenas	36,314	35,164	3.3%

Source Individual Ports



## Provisionally Assessing the Early 2017 Numbers Continued

outbound leg was even more robust, with an 11.5% jump in TEUs (441,059 over 395,627).

The five major USWC container ports themselves reported even larger gains. On the inbound side, the five collectively reported 923,748 inbound loaded TEUs this January as opposed to 831,780 TEUs the previous January, a surge of 11.1%. Loaded outbound containers reported by the ports meanwhile jumped 17.7% from 365,682 TEUs in January 2016 to 430,345 TEUs this January.

By contrast, Canada's two West Coast ports (Vancouver and Prince Rupert) reported a drop of 2.8% in loaded inbound TEUs, while registering a slender 1.2% increase in outbound loaded TEUs.

### Declared Value and Weight of Imports Down

Measured by the declared **value** of the contents of containerized shipments as reported to the U.S. Government, USWC ports saw their share of containerized imports entering mainland U.S. ports slip from 50.8% in January 2016 to 49.2% in January 2017. The USWC

share of the declared **weight** of the contents of containers entering mainland U.S. ports in January 2017 also declined from 42.9% in January 2016 to 40.1% in January 2017.

### But Exports Up

On the export side, the USWC share of the declared **value** of containerized exports departing mainland U.S. ports skipped up from 34.7% in January 2016 to 37.4% in January 2017. Similarly rising was the USWC share of the declared **weight** of containerized exports from mainland ports, from 32.7% in January 2016 to 34.3% in January 2017.

Growth in the outbound trade from USWC ports continued to defy conventional expectations that a strong dollar normally discourages exports. The major mover behind the increasing volume loaded outbound containers in January continued to be wood pulp, which saw its share of USWC containerized exports (measured by weight) expand to 19.5% in January from 13.6% a year earlier.

[Continued](#)

**Exhibit 2** January 2017 - Outbound Loaded TEUs at Selected Ports

	Jan 2017	Jan 2016	% Change
Los Angeles	162,420	126,241	28.7%
Long Beach	118,234	106,739	10.8%
Oakland	73,352	67,272	9.0%
NWSA	76,339	65,430	16.7%
NYNJ	110,958	102,669	8.1%
Maryland	22,516	18,373	22.5%
Virginia	89,767	76,360	17.6%
South Carolina	66,868	52,290	27.9%
Georgia	117,390	100,725	16.5%
Port Everglades	32,445	31,435	3.2%
Houston	88,403	67,094	31.8%
Jaxport	30,000	28,746	4.4%
Vancouver	85,464	83,265	2.6%
Prince Rupert	11,294	12,362	-8.3%
Manzanillo	68,775	54,866	25.4%
Lazaro Cardenas	30,105	28,067	7.3%

Source Individual Ports



Provisionally Assessing the Early 2017 Numbers *Continued*

So far, so good. Then came February. Online postings by the Ports of Los Angeles, Long Beach, and Oakland show a combined 17.1% year-over-year fall-off in loaded inbound TEUs in February and a relatively modest 2.2% increase in loaded outbound TEUs. Overall, the three container ports handled only 0.2% more loaded and unloaded TEUs during the first two months of the year compared with the same period last year.

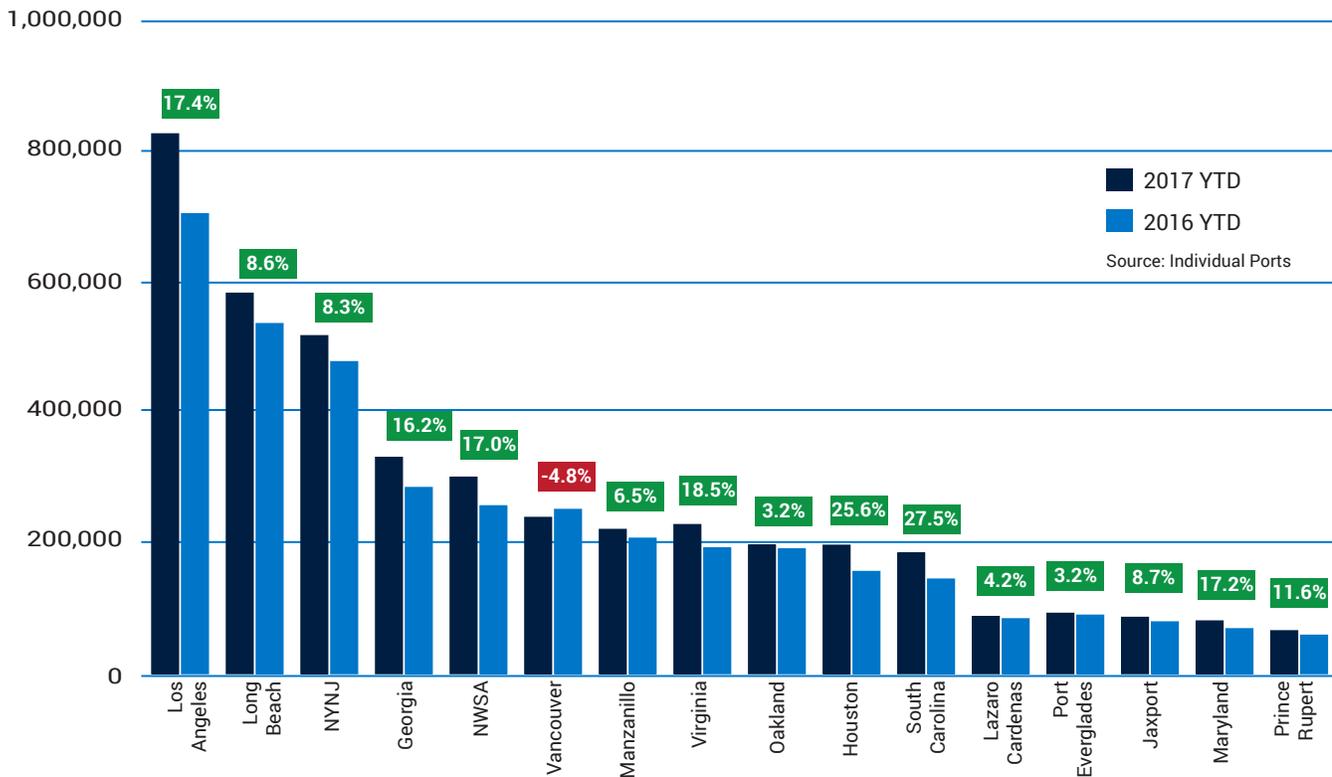
The Port of Long Beach accounted for the generally dreary February numbers by alluding to the January 28 start of the Lunar New Year holiday, nearly two weeks earlier than in 2016. In a press release, the Port of Long Beach explained: “The Lunar New Year typically results in slower trade since businesses in China – the world’s No. 2 economy and the Port’s primary trading partner – close for a week or more to observe the holiday. The impact on the Port is seen two weeks afterwards, accounting for the time it takes vessels to cross the Pacific.”

A press release from the Port of Oakland indicated that “inclement weather in the U.S. interior played a role in curtailing shipments of Asia-bound exports” through the Northern California gateway.

Another explanation we are hearing involves reports that some Midwest exporters have been having trouble finding containers.

We are certainly aware that drought-busting storms adversely affected rail and truck traffic along routes linking Oakland with points east of the Sierra Nevada range. But we also think there’s an additional, if profoundly mundane reason for lower container volumes at the California ports this February: 2016 was a Leap Year, meaning that this February was one working-day or 4.8% shorter than last February.

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





## Jock O'Connell's Commentary:

# Regulating Away Part of the Infrastructure Needed to Restore Our Infrastructure

Mainstream media reports on maritime trade tend to focus a lot on containers, almost to the exclusion of other modes of oceanborne commerce. So, in states like California and Washington (and maybe, one day soon, Oregon) which host imposing container terminals, even newly-elected legislators and municipal leaders probably know what a TEU is. As for their familiarity with the transport of commodities measured in tons, barrels or bushels, not so much.

But there's much more to ocean shipping than goods that travel in boxes. Petroleum, coal, ores, grains, motor vehicles, windmill components, for example, are all transported around the world, usually on vessels custom-built to handle each type of cargo. And these segments of maritime trade often pass without much public notice, except of course when there's an oil spill or when deliveries of critically needed supplies are hindered.

California's end-of-drought deluges this winter have caused enormous damage, most famously to the Oroville Dam spillway but also to innumerable streets, highways, bridges, and levees. Infrastructure that was already in deplorable condition was stressed and occasionally failed as downpour followed downpour. As a result, demand for the concrete to repair roads, rebuild bridges, and reinforce levees is likely to surge dramatically in coming months. One of concrete's essential ingredients, along with water and cement, is aggregate, inert granular materials such as sand, gravel, or crushed stone. Most of California's demand for aggregate this spring and summer will be met from local quarries, because it is both economically and environmentally undesirable to truck such a heavy but low-value commodity over long distances.

But we also import aggregate as well as cement and other construction materials (including steel) by sea, usually through niche ports that handle little, if any of the state's container trade. The option of transporting these materials by sea is especially beneficial in meeting the construction needs of densely-populated urban areas whose roadways are already congested by traffic.



Photos courtesy of the Port of San Francisco  
Credit: Jay Ach

The Ports of Redwood City, Richmond, and San Francisco handle the bulk of the U.S. West Coast imports of HS 2517, the Harmonized System classification for the pebbles, gravel and crushed stones that comprise aggregate.

In fact, the Port of San Francisco's leading cargo is imported construction aggregate shipped from Canada. (The port also handles other construction needs such as steel coils, rebar, and structural steel.) Tourists visiting the Embarcadero do not see this business, which is tucked away well south of AT&T Park. Last year, the Port of San Francisco handled not a single TEU but did move nearly 1.4 million metric tons of dry bulk cargo, all of it imported. The ability to move construction materials through the port not only helps contain building costs, it reduces the truck traffic and adverse environmental impacts within a city whose skyline is being spectacularly transformed by new, towering buildings.

A few miles south, the Port of Redwood City plays a similar role with respect to construction projects in Silicon Valley and elsewhere on the Peninsula. As at the Port of San Francisco, aggregate arrives in large ocean-going ships such as the 750-foot long CSL (Canadian Steamship Lines) Tecumseh in the photo above.



**Commentary** Continued

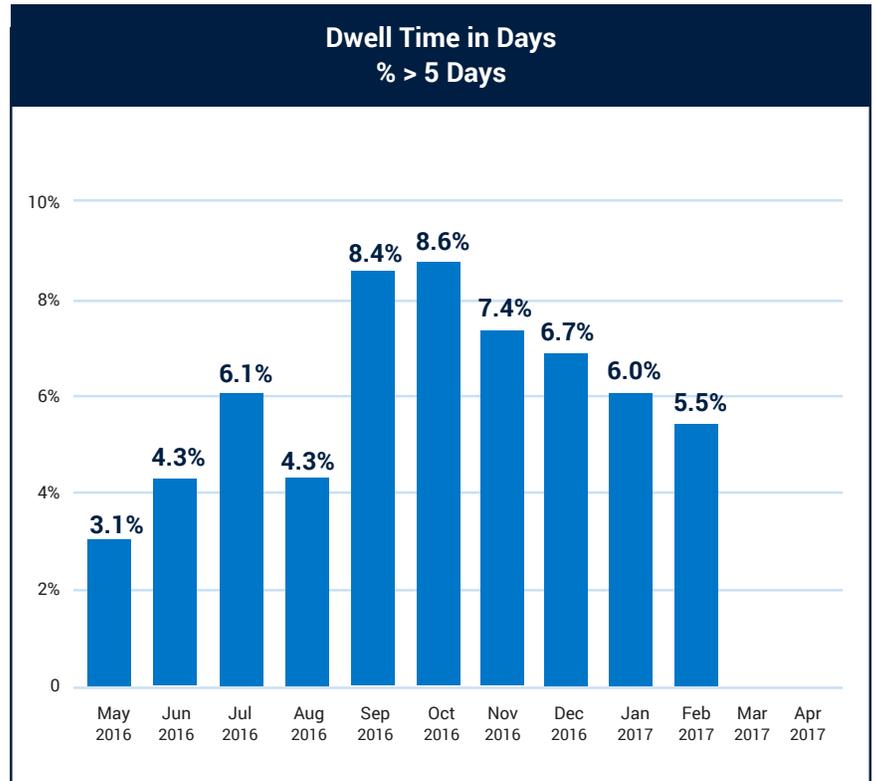
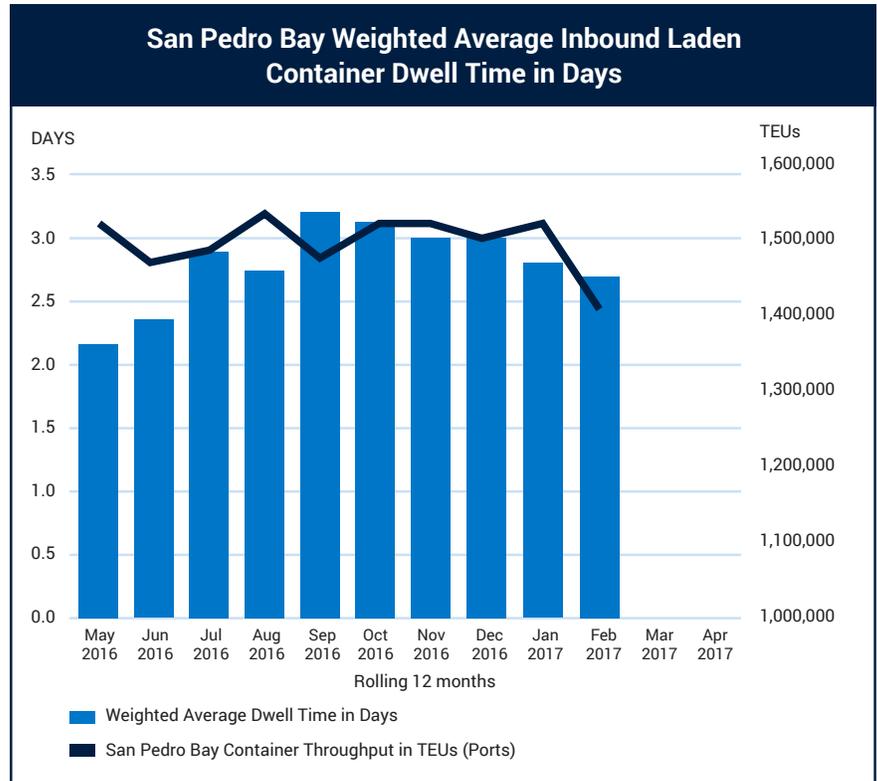
Much of the imported aggregate comes from the Orca Quarry, located on the northeast coast of Canada's Vancouver Island. The quarry is operated by Polaris Materials Corporation. In California, Polaris imports aggregate via the Ports of Richmond and Long Beach. The Richmond Terminal primarily serves the northeastern San Francisco Bay area. In July 2014, Polaris commenced construction of an aggregate receiving terminal in the Port of Long Beach to service the Los Angeles area. That facility began operations just over a year ago.

Spurred largely by President Trump's campaign promises, there's much talk today about restoring the nation's frayed infrastructure. The need is clearly there. In its 2017 report card, the American Society of Civil Engineers gave the country's infrastructure an overall grade of D+, largely unchanged since its previous report in 2013.

Left out of public discussions and political debates is whether states like California may be regulating away an important component of the infrastructure needed to rebuild its infrastructure.

To one extent or another, all ports face existential challenges from government regulators and neighboring communities. As discussed elsewhere in this newsletter, the cost of meeting stricter air quality requirements threatens to undermine the fundamental economics of port operations in California. Alas, a more holistic strategy for balancing the state's sundry public policy goals is probably too much to expect.

**Container Dwell Time Continues to Improve**





## What is the True Cost of the Clean Air Action Plan?

By John McLaurin  
President, PMSA

The Ports of Los Angeles and Long Beach are moving forward with the next iteration of their Clean Air Action Plan (CAAP). The previous versions of the CAAP, coupled with industry efforts and state regulatory measures, were highly successful and resulted in dramatic reductions in pollutants accomplished in a time frame not matched by any other industry sector. From 2005 to 2015 the San Pedro Bay Ports reduced overall diesel particulate matter emissions by 85%, NOx emissions by 51% and SOx emissions by 97%.

But the current draft CAAP proposal focuses on reducing greenhouse gas emissions by 100% by requiring marine terminals to convert cargo handling equipment to zero emission technology by 2030 and to require zero emission drayage trucks by 2035. This schedule is decades ahead of State of California goals. Currently, California is seeking to reduce greenhouse gas emissions by 40% below 1990 levels by 2030. The ports have yet to provide any rationale as to why marine terminal operators must comply with a more aggressive schedule than that required for every other industry in California with respect to greenhouse gas emissions. Nor have the ports provided cost estimates for compliance, amount of emissions reduce (or cost on a per ton of pollutants reduced), nor analysis of the impact on the ports' competitiveness.

Complicating the CAAP debate are proposals by public utilities to assist in electrifying the supply chain, along with an alternative and competing effort advocated by the natural gas industry, which is advocating natural gas as a near-zero emission alternative or even short-term solution



Photo courtesy of the Port of Long Beach

for the supply chain. All the while, some environmental groups are pushing back on the use of near-zero options like natural gas, and appear to be appeased only by electrification of marine terminals and the overall supply chain.

Southern California port authorities not only want marine terminals to reduce greenhouse gas emissions decades ahead of California's deadlines, they want to dictate electrification as the preferred technology. And they want to move down this road even though neither the marine terminal operators nor the port authorities themselves possess the wherewithal to finance compliance costs likely to be measured in the tens of billions of dollars.

The Ports of Los Angeles and Long Beach hope to finalize their Clean Air Action Plan by June of this year.



## Billion Dollar Container Fee Proposed

The South Coast Air Quality Management District (SCAQMD) has proposed not one, but two different container fees to be assessed on containerized imports and exports moving through California’s ports. The fee proposals range from a low of \$35 per TEU (which would reportedly raise \$385 million per year) to upwards of \$100 per TEU (which would raise \$1.1 billion per year). Which proposal the SCAQMD decides to finally pursue is uncertain at this point.

The air district first pitched the \$35 per TEU proposal with state legislators in late February. As part of that effort, the SCAQMD noted that the \$385 million that would be collected every year would be used to “...help fund near-zero and zero emission cargo handling and drayage equip-

ment.” The bill proposal was silent as to whether it applied to the Port of Oakland.

Interestingly, while their Sacramento efforts were underway to introduce a bill implementing the \$35 per TEU fee, the SCAQMD Legislative Committee held a “Special Meeting” where the Legislative Committee adopted a staff recommendation to consider a \$100 per TEU container fee. The fee would be imposed at the Ports of Los Angeles, Long Beach and Oakland. While the Legislative Committee does not include any information on what the \$1.1 billion would be spent on, it did discuss “...the low pass-through costs on shippers from the proposed fee...” and that the funds collected would go to the “...respective air districts containing the specified ports.”

## The PMSA Annual Luncheon

**Featuring:**

**John Wolfe**  
Chief Executive Officer  
The Northwest Seaport Alliance

**When:** Tuesday, April 11, 2017  
11:30AM reception  
12:00PM luncheon

**Where:** Hyatt Regency Long Beach  
Regency Ballroom  
200 S. Pine Ave.  
Long Beach, CA

\$75 General Admission  
\$900 Gold Sponsorship  
\$1,700 Platinum Sponsorship

**To attend, register here**

<https://pmsaannualluncheon2017.eventbrite.com/>

Or send check & attendee information to:

PMSA  
70 Washington Street  
Oakland, CA 94607

**Please RSVP by Tuesday, April 4, 2017**

If you have any questions, or would like to be a sponsor, please contact Laura Williams at [lwilliams@pmsaship.com](mailto:lwilliams@pmsaship.com) or 510-987-5000

Proceeds from the luncheon will go towards the PMSA Foundation, a non-profit 501(c)3 charitable organization providing much-needed funds for a diverse range of community needs in port areas including services for seafarers, the disabled, homeless and students.

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