PMSA

West Coast Trade Report

September 2017

Parsing the July 2017 Loaded TEU Numbers

The Ports of Los Angeles, Long Beach, Oakland, and Virginia have jumped ahead of us by posting their August container trade numbers. Los Angeles (+5.1% or +21,112 TEUs), Long Beach (+10.6% or +34,090 TEUs) and Virginia (+5.5% or 5,920 TEUs) reported growth in inbound traffic, while Oakland's inbound TEU count slipped by 442 TEUs or 0.6%. Things were different on the export side where only Los Angeles (+4.0% or +6,192 TEUs) kept its head above water. The other three ports all saw substantial contractions, indicating that a weaker U.S. dollar may not necessarily be as beneficial to the nation's maritime export trade as standard economic theory would expect. At Long Beach, outbound traffic plummeted by 26.3% or 41,957 TEUs. Oakland's outbound loaded TEUs were off 7.2% (-6,008 TEUs), while Virginia's outbound trade fell 10.7% (-9,001 TEUs) from July 2016.

Continued

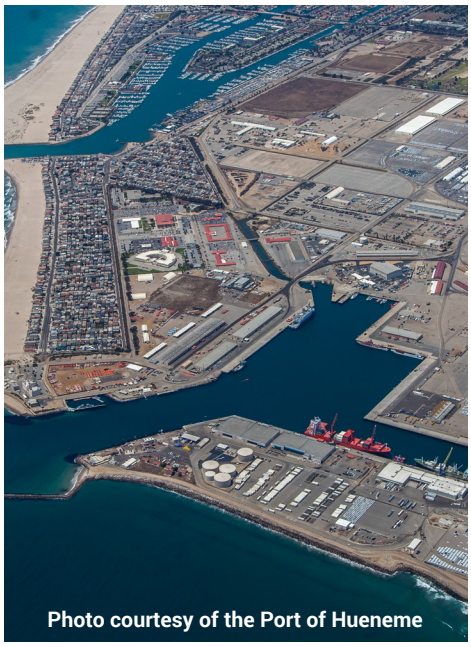


Photo courtesy of the Port of Hueneme

Exhibit 1 July 2017 - Inbound Loaded TEUs at Selected Ports

	July 2017	July 2016	% Change	July 2017 YTD	July 2016 YTD	% Change
Los Angeles	417,091	368,697	13.1%	2,662,372	2,495,843	6.7%
Long Beach	378,820	325,608	16.3%	2,137,232	1,999,085	6.9%
Oakland	80,835	80,508	0.4%	530,583	515,415	2.9%
NWSA	109,182	111,739	-2.3%	803,358	760,954	5.6%
NYNJ	291,760	275,337	6.0%	1,922,703	1,818,826	5.7%
Philadelphia	24,810	21,899	7.7%	159,638	135,112	17.8%
Maryland	42,553	35,664	19.3%	270,525	247,303	9.4%
Virginia	109,215	100,106	9.1%	711,817	653,732	8.9%
South Carolina	N/A	N/A	N/A	N/A	N/A	N/A
Georgia	159,570	145,779	9.5%	1,063,781	947,893	12.2%
Jaxport	23,505	22,148	6.1%	168,155	142,964	17.6%
Port Everglades	28,025	25,425	10.2%	214,767	198,920	8.0%
Miami	40,291	43,456	-7.3%	302,971	312,908	-3.2%
New Orleans	22,300	21,906	1.8%	142,547	161,046	-11.5%
Houston	90,506	80,056	13.1%	604,622	487,679	24.0%
Vancouver	153,554	135,478	13.3%	957,107	854,522	12.0%
Prince Rupert	48,343	44,832	7.8%	291,054	264,969	9.8%
Manzanillo	105,831	97,544	8.5%	710,017	643,404	10.4%
Lazaro Cardenas	48,081	42,030	14.4%	301,045	291,051	3.4%

Source Individual Ports

Pacific Merchant Shipping Association
70 Washington Street, Suite 305, Oakland, CA 94607
510-987-5000 info@pmsaship.com

Parsing the June 2017 Numbers Continued

Inbound loaded container traffic in July. The five major U.S. West Coast (USWC) container ports – Los Angeles, Long Beach, Oakland, Tacoma, and Seattle -- collectively handled 99,376 more inbound TEUs than they did in July 2016 for a year-over-year gain of 11.2%. Growth was held back by a meager 0.4% gain at Oakland along with another off month at the Northwest Seaport Alliance Ports of Seattle and Tacoma, which reported a 2.3% (-2,557 TEUs) drop in incoming TEUs. North of the border, Vancouver and Prince Rupert posted a healthy 12.0% gain (+21,587 TEUs). South of the border, the Ports of Manzanillo and Lazaro Cardenas saw a 10.3% increase (+14,338 TEUs).

On other coasts, the ports we track mostly posted solid year-over-year gains in July. Maryland was up 19.3% (+6,889 TEUs) over July 2016. Houston also continued to show impressive growth in import traffic (+10,450 or +13.1%). Georgia Port Authority reported a 9.5% (+13,791 TEU) increase. However, the Panama Canal expansion is evidently not bringing higher containerized import volumes to the Ports of Miami and New Orleans.

No peak for you? The much-heralded June to July surge of inbound container traffic skipped several ports. Most notably, imports slid 5.7% (-6,606 TEUs) from June to July at the NWSA ports, while both Houston and Prince Rupert reported 6.7% drops of 6,536 TEUs and 3,491 TEUs, respectively. Inbound traffic at the Port of New York-New Jersey in July was off marginally by 0.1% or 506 TEUs from June. Data compiled by the Pacific Maritime Association indicate that the fall-off at the NWSA was entirely due to a sharp drop of inbound TEUs at Tacoma. U.S. Census Bureau foreign trade show July containerized import tonnage down 25.1% at Tacoma from July 2016, while partner port Seattle was up 16.8%.

Continued

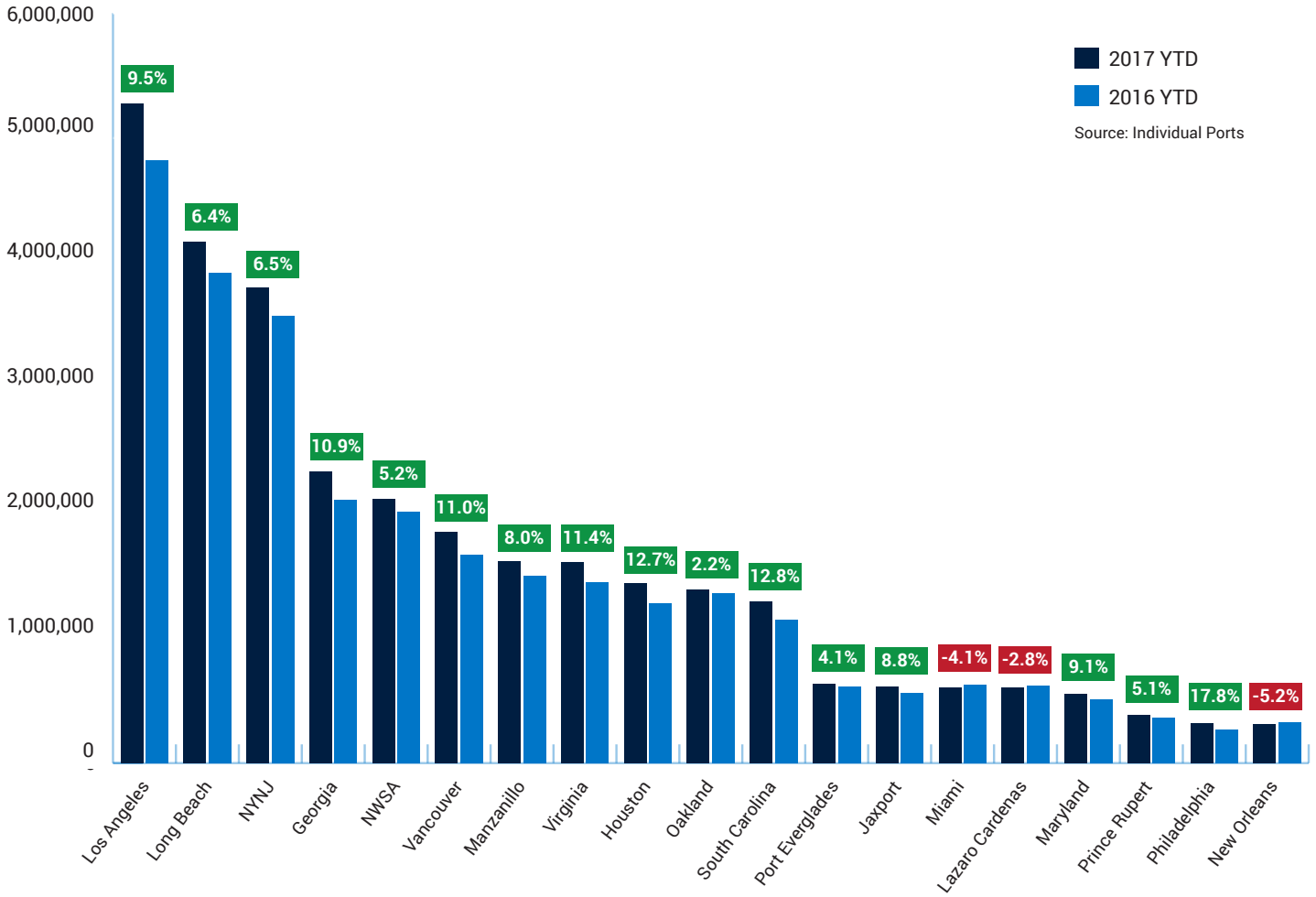
Exhibit 2 July 2017 - Outbound Loaded TEUs at Selected Ports

	July 2017	July 2016	% Change	July 2017 YTD	July 2016 YTD	% Change
Los Angeles	154,926	132,490	16.9%	1,137,305	1,011,736	12.4%
Long Beach	126,098	142,812	-11.7%	837,928	879,269	-4.7%
Oakland	74,821	77,573	-3.5%	535,020	535,045	0.0%
NWSA	63,599	73,403	-13.4%	540,344	542,592	-0.4%
NYNJ	112,694	109,204	3.2%	805,215	785,523	2.5%
Philadelphia	21,548	21,150	1.9%	159,491	135,821	17.4%
Maryland	20,266	18,918	7.1%	141,019	137,363	2.7%
Virginia	75,703	77,174	-1.9%	711,817	653,732	8.9%
South Carolina	N/A	N/A	N/A	N/A	N/A	N/A
Georgia	106,117	103,322	2.7%	806,909	749,962	7.6%
Jaxport	29,419	32,255	-8.8%	233,260	218,772	6.6%
Port Everglades	36,848	34,370	7.2%	250,017	232,426	7.6%
Miami	40,139	43,594	-7.9%	297,820	304,924	-2.3%
New Orleans	25,084	23,559	6.5%	167,237	165,827	0.9%
Houston	77,060	75,881	1.6%	594,059	548,231	8.4%
Vancouver	90,081	84,174	7.0%	650,459	624,813	4.1%
Prince Rupert	13,714	14,114	-2.8%	89,723	97,431	-7.9%
Manzanillo	63,020	63,114	-0.1%	446,696	391,875	14.0%
Lazaro Cardenas	20,159	17,784	13.4%	115,618	131,168	-11.9%

Source Individual Ports

Parsing the July 2017 Numbers Continued

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



On the export loaded TEU side, the Big Five USWC ports handled 12,556 fewer outbound TEUs this July than they had a year earlier, a decline of 8.3%. Only, the Port of Los Angeles (+16.9% or +12,556 TEUs) saw export growth. Meanwhile, the two British Columbia ports saw their outbound trades increase by 5.6% (+5,507 TEUs), despite a slight export fall-off at Prince Rupert. The two Pacific Coast Mexican ports we track saw a 2.8% rise (+2,281 TEUs) in July exports. East/Gulf Coast ports were mixed with year-over-year gains but also declines at Jaxport (-8.8%), Miami (-7.9%), and Virginia (-1.9%).

Looking at U.S. Commerce Department value and weight trade statistics, USWC ports saw a 5.7% increase in containerized import tonnage over last July, but all other mainland ports collectively enjoyed an 11.1% bump in import tonnage. As a result, the USWC share of imported containerized tonnage in July was 38.7%, down from a 39.8% share the previous month and from a 40.6% share in July 2016. By declared value, USWC ports held a 49.2% share of containerized imports at U.S. mainland ports in July, up from 48.4% in June and pretty much even with their 49.2% share in July of last year.

Parsing the June 2017 Numbers Continued

By declared weight of the containerized exports, USWC ports saw a 5.5% decline in tonnage from July 2016, while other U.S. mainland ports sustained a 1.6% fall-off. USWC ports' share of containerized export tonnage in July stood at 38.7%, down from 39.8% a month earlier and down from a 40.6% share in July 2016. By declared value, USWC ports had a 33.4% share of containerized exports from mainland ports in July, down from 34.6% in June and from 40.6% a year earlier.

The Transpacific Trade. Now looking solely at the transpacific containerized trade, USWC ports' share of the declared weight of the contents of containerized imports arriving at mainland ports from East Asia held firm. The July share was 58.6%, up just a smidge from 58.5% in June but down only a tad from 58.7% a year ago.

USWC ports held a 67.8% share of the declared value of containerized imports arriving at mainland ports from East Asia, down from 68.0% in June and from 68.1% in July 2016.

For containerized exports to East Asia from mainland ports, the USWC share by declared weight slipped to 61.9% in July from 62.6% in June and from 62.4% in July 2016. On a value basis, the USWC share in July was 67.1%, down from 68.9% in June and from 67.7% last July.

Worldwide Destinations and Origins. By declared weight, China is by far the biggest destination of USWC containerized exports with a 34.3% share in July, down considerably however from its 40.8% share a year ago. Japan was second with a 12.1% share, up from 10.8% a year earlier. South Korea held a 9.9% share (up from 8.5% last year). Taiwan saw its share grow to 8.0% from 7.5%, while exports to Indonesia jumped to a 5.7% share of USWC exports from 3.3%. Exports to Vietnam, which Indonesia has overtaken as the fifth largest destination of USWC containerized exports, saw its share plummet to 3.3% from 7.2% as shipments to Vietnam fell year-over-year in July by 56.7%. (Shenanigans in the world aluminum trade seem behind the abrupt decline. In the summer of last year, aluminum bars and rods (HS 7604) constituted as much as 49.4% of the total exports (by weight) from the Ports of Los Angeles and Long Beach to Vietnam. This July, that percentage was zero. The root of the story, as reported in the *Wall Street Journal*, involved efforts by a Chinese billionaire to shift a huge aluminum stockpile in Mexico to Vietnam as part of a tariff evasion scheme.)

China hogged the import trade via USWC ports with a 57.4% share of containerized tonnage in July, with Vietnam (4.7%) for the first time edging out Japan (4.5%) for second place. Closely behind were Taiwan (4.3%), South Korea and Thailand (both at 3.0%).

Jock O'Connell's Commentary:

Keystone Kops' Waterfront Precinct

In the category of unintended consequences, here's a couple of examples that should (but likely won't) give pause to political leaders bent on imposing aggressive environmental mandates on California's maritime gateways.

For those who relish irony, it turns out that cleaning up Southern California's air by saddling the region's ports with a costly zero-emission compliance scheme is more apt to add rather than subtract from the volume of toxic emissions discharged into the heavens above.

Our first example involves the nation's busiest maritime complex, the neighboring Ports of Los Angeles and Long Beach, which jointly unveiled their proposed 2017 Clean Air Action Plan (CAAP) in July. To briefly summarize, the CAAP aims to replace diesel-powered equipment with zero emission gear by 2030, despite some concern that the objective may be both technologically and financially dubious. As this commentary noted with abundant skepticism last month, the two ports appear to have embraced the politically convenient fiction that, without massive injections of public capital, highly desirable clear-air goals can be achieved without untoward consequences -- like seeing businesses take their business elsewhere.

The reason: In the absence of substantial financial underwriting from state and federal treasuries, the expense of achieving zero or near-zero emission goals will have to be passed on to the ports' customers, chiefly the beneficial cargo owners (BCOs) who, unfortunately for the ports, enjoy some discretion over where they do much of their business. The two ports, after all, are national gateways, and the lion's share of the cargo passing through them start or stop their journeys in places other than in Southern California.

Any expectation that Washington would pony up a few billion has grown more faint the more we learn that President Trump's much-heralded promise of a $1 trillion investment in restoring the nation's infrastructure would rely principally (80%) on a combination of state/local government financing and private money. As for the state, Sacramento does plan to chip in some new funds, with

Photo courtesy of the Port of Hueneme

$140 million in cap-and-trade revenue to be divvied up among the state's several ports. But whatever trickles down to the San Pedro Bay ports would be constrained by a neo-Luddite legislative stipulation that none of those funds be used to acquire equipment that might displace labor.

Since it increasingly seems that BCOs will have to foot much of the bill for the ports' compliance with zero-emission mandates, what consequences might follow?

One answer comes from a new analysis conducted by Starcrest Consulting Group. Commissioned by the Pacific Merchant Shipping Association, the analysis demonstrates that efforts to reduce greenhouse gas (GHG) and other emissions from maritime and other logistics operations along the supply chain in California will increase operational costs for cargo owners. And those added costs may have the unintended consequence of shifting cargo flows to less expensive gateways with longer transit times, which would generate higher GHG emission levels.

Continued

Keystone Kops' Waterfront Precinct Continued

The Ports of Los Angeles and Long Beach are already the cleanest, greenest ports in the country. They are also some of the most expensive gateways through which the nation's maritime trade is conducted. Regulatory barriers intended to further reduce GHG emissions in Southern California's air shed are likely to make use of the ports even more expensive. That raises the prospect that shippers seeking to cut supply-chain costs would opt to exploit the broader Panama Canal to move their cargos through ports on the East and Gulf Coasts.

Doing so may be beneficial to beneficial cargo owners. But lower volumes of trade would hardly be good for the San Pedro Bay ports. And what about a planet yearning for cleaner air? Not so good.

That's because diverted cargo would be at sea for several days longer. The Starcrest study calculates that GHG emissions from steamships serving the U.S. transpacific trade may average up to 22% higher for cargo bypassing the Southern California ports. (California environmental advocates might also note that the East and Gulf Coast ports most likely to receive diverted cargos are in states much less scrupulous than California about the environment. Indeed, it is the official policy of some of those states to deny any connection between human activity and climate change.)

And there's more.

The Port of Hueneme in California's Ventura County has just received a study by Martin Associates that examines how implementation of the state's At-Berth Regulations might force discontinuation of the port's thriving automobile import and export trade.

The At-Berth Regulation provides that vessel fleet operators visiting the port adopt either of two options to reduce emissions from auxiliary engines: 1) turn the engines off and connect the vessel to an external power source, most likely grid-based shore power; or 2) use alternative control technology that achieve equivalent emission reductions. Neither option comes cheap.

Martin Associates developed a detailed economic analysis of the Port of Hueneme cargo operations. The report specifically quantified the jobs, income, business revenue, and taxes to the local and state economies that would be lost if the port's automobile trade were forced to relocate to the Port of Portland, Oregon and/or the Port of Vancouver, Washington, where significant capacity exists for handling auto imports and exports.

Direct job losses at Hueneme were pegged at 1,119, while $58.8 million would be lost locally in direct wages and benefits. $16.3 million in state taxes and $8.7 million in county and local taxes would be paid elsewhere.

Importantly, the study also calculated the "mileage penalty" (i.e., the additional miles involved in hauling cars from the Pacific Northwest ports to auto markets currently served by the Port of Hueneme). In FY 2016, Hueneme handled 338,061 autos, of which 300,061 were imported. Of the latter, 165,831 (55%) were destined for the Los Angeles area, while another 26,852 went to Phoenix and another 14,333 to Las Vegas.

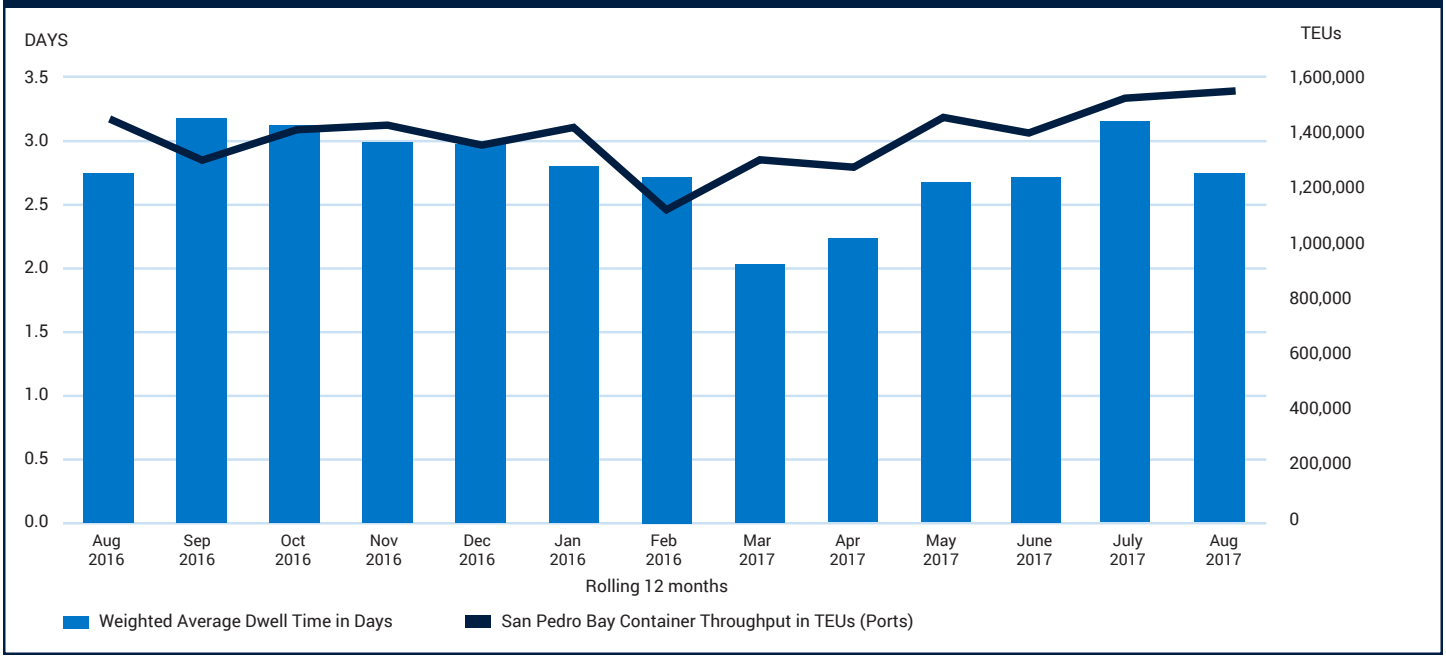
The report concluded that the relocation of the auto operations to the Pacific Northwest could result in a mileage penalty of 14,125,214 ton-miles, which would give rise to $19.3 million of new emissions, based on metrics used by the U.S. Department of Transportation and Environmental Protection Agency to assign a dollar-value to diesel emissions.

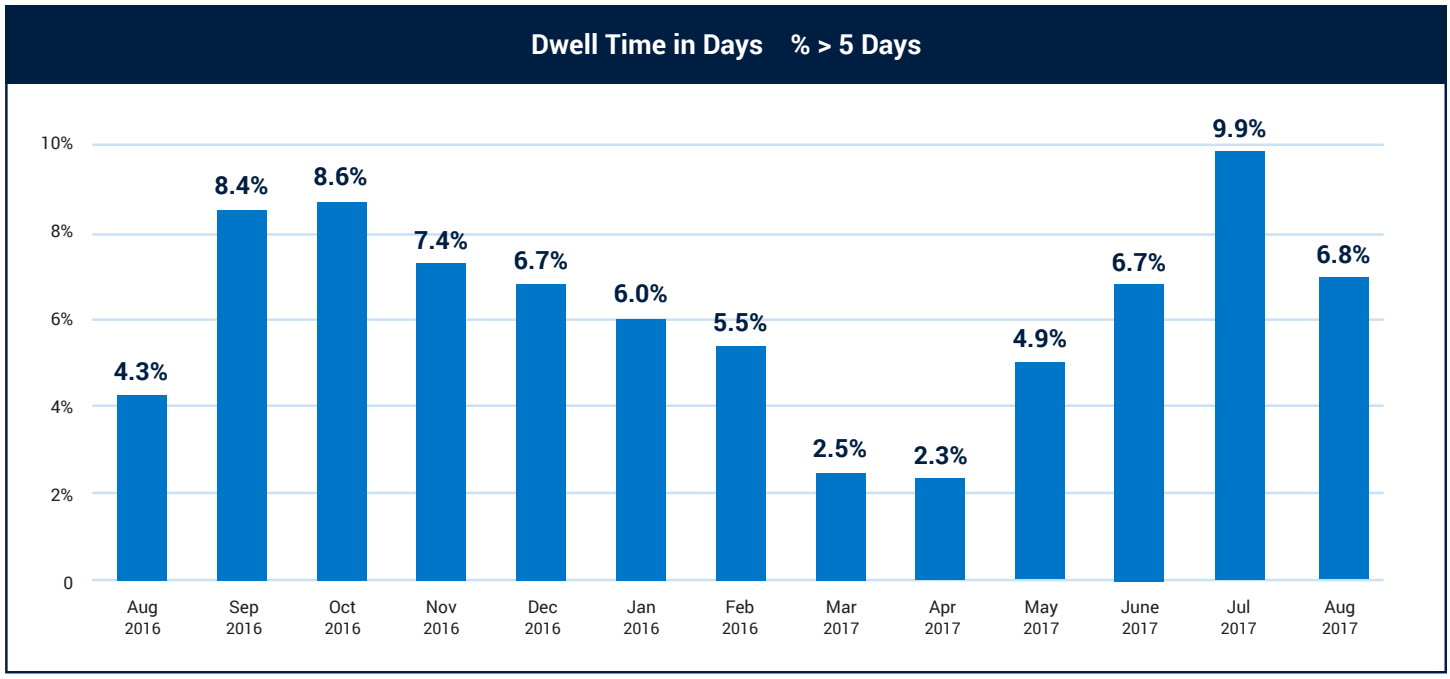
Adopting stricter at-berth emissions controls at the Port of Hueneme may be all very well and good for those Port Hueneme residents whose livelihoods are not linked to the port. Those holding those 1,119 local jobs that would be made redundant might have a differing opinion. In any event, it's worth again raising the issue of whether measures intended to improve air quality at one location – whether it be Port Hueneme or the San Pedro Bay ports – but which aggravate conditions elsewhere do not tarnish California Governor Jerry Brown's star-turn as a champion of slashing greenhouse gas emissions globally.

.

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

Container Dwell Time Decreases In August





Follow PMSA on Twitter @PMSAShip and Facebook.