



First Glimpse at the June TEU Numbers

June's container trade numbers are expected to be down from a year ago, but by margins much less ghastly than May's collapse. In its July 8 outlook, the National Retail Federation's Global Port Tracker (GPT) predicted that container import traffic in June will be off by 5.8% from a year earlier. That is certainly more optimistic than the 12.9% drop the GPT foresaw just a month earlier.

So what are the early reporting ports telling us so far about June?

The first of the big ports to report June tallies was Oakland, which actually saw an increase in inbound loaded TEUs, albeit of only 1.9%. But that was pretty much all the good news for U.S. West Coast ports. Long Beach sustained a 9.3% decline in inbound loads, while next door at the Port of Los Angeles inbound loads were down 6.8%. Together, the two San Pedro Bay ports handled 8.0% fewer loaded inbound TEUs than they had a year earlier. Worse were the numbers from the Northwest Seaport Alliance Ports of Tacoma and Seattle, where import loads fell by 15.1% from last June.

Altogether, the Big Five USWC ports saw an 8.0% drop in inbound loads in June.

North of the border in British Columbia, Vancouver eked out a 1.8% increase in inbound loads, but inbound loads slid by 16.3% at Prince Rupert.

Elsewhere, Maryland reported a 4.9% decline in inbound loads, while the Port of Virginia was down by 15.2%. Along the Gulf Coast, inbound loads at Houston were down 15.2%.

On the **export** side of the ledger, loaded outbound TEUs were off by 21.3% at Los Angeles and by 12.2% at Long Beach, leaving the San Pedro Bay down 16.9% from last June. Oakland posted a 5.7% year-over-year decline, and the NWSA ports witnessed an 8.0% slide from last June. Altogether, outbound loads through the Big Five USWC container ports were off by 13.3% from a year earlier.

To the north, outbound loads fell by 17.4% at Vancouver, but Prince Rupert saw a 12.2% increase, leaving the two British Columbia ports 13.6% short of last year's outbound trade.

On the East Coast, Maryland reported a 19.7% year-over-year drop in export loads, while Virginia was down 6.5% from last June. Houston's outbound traffic was off 8.3%.



Photo courtesy of the Port of San Diego



Parsing the May 2020 TEU Numbers

Please note: The numbers here are not derived from forecasting algorithms or the partial information available from U.S. Customs and Border Protection but instead represent the actual TEU counts as reported by the major North American seaports we survey each month. The U.S. mainland ports we monitor collectively handle over 90% of the container movements at continental U.S. ports.

May 2020 Import Traffic

With a few exceptions, all of the eighteen U.S. and Canadian ports whose import/export loaded TEU traffic this newsletter monitors showed declines in May from a year earlier. The most conspicuous outlier was the Port of Long Beach, whose 7.6% gain (+22,022 TEUs) was due largely to a shift of two shipping lines from terminals at the Port of Los Angeles. The Ports of New Orleans (+739 TEUs) and Vancouver (+1,709 TEUs) were the only other gateways with higher import numbers this May than last.

Aside from Long Beach, import traffic was down at the other major U.S. West Coast (USWC) ports. Inbound loads at the Port of Los Angeles slumped by 29.4% (-121,466 TEUs), leaving the two San Pedro Bay ports with a combined year-over-year fall-off of 13.8% (-99,444 TEUs). Inbound loads at Oakland fell 14.6% (-12,541 TEUs), while tumbling by 22.9% (-25,601 TEUs) at the Northwest Seaport Alliance Ports of Tacoma and Seattle. Altogether, inbound loaded container traffic at the five major USWC ports was down 15.0% (-137,586 TEUs).

Exhibit 1	May 2020 - Inbound Loaded TEUs at Selected Ports					
	May 2020	May 2019	% Change	May 2020 YTD	May 2019 YTD	% Change
Los Angeles	306,323	427,789	-29.4%	1,581,444	1,863,960	-18.6%
Long Beach	312,590	290,568	7.6%	1,359,252	1,482,193	-8.3%
San Pedro Bay Totals	618,913	718,357	-13.8%	2,940,696	3,346,153	-12.1%
Oakland	73,423	85,964	-14.6%	371,900	393,250	-5.4%
NWSA	86,129	111,730	-22.9%	461,693	569,672	-19.0%
USWC Totals	778,465	916,051	-15.0%	3,774,289	4,309,075	-12.4%
Boston	10,439	11,436	-8.7%	58,335	59,324	-1.7%
NYNJ	266,004	340,680	-21.9%	1,444,677	1,544,254	-6.4%
Maryland	37,755	49,342	-23.5%	205,716	222,182	-7.4%
Virginia	87,669	119,592	-26.7%	493,551	546,012	-9.6%
South Carolina	73,072	88,009	-17.0%	410,833	434,332	-5.4%
Georgia	154,730	185,265	-16.5%	827,212	906,563	-8.8%
Jaxport	23,661	30,222	-21.7%	122,577	143,341	-14.5%
Port Everglades	19,410	25,619	-24.2%	127,278	141,525	-10.1%
Miami	29,658	37,943	-21.8%	165,269	180,875	-8.6%
USEC Totals	702,398	888,108	-20.9%	3,855,448	4,178,408	-7.7%
New Orleans	13,733	12,994	5.7%	59,554	56,944	4.6%
Houston	99,509	107,126	-7.1%	485,815	499,628	-2.8%
USGC Totals	113,242	120,120	-5.7%	545,369	556,572	-2.0%
Vancouver	132,478	130,769	1.3%	444,685	480,353	-7.4%
Prince Rupert	36,439	57,578	-36.7%	223,895	241,634	-7.3%
BC Totals	168,917	188,347	-10.3%	668,580	721,987	-7.4%
US/BC Totals	1,763,022	2,112,626	-16.5%	8,843,686	9,766,042	-9.4%
US Total	1,594,105	1,924,279	-17.2%	8,175,106	9,044,055	-9.6%
USWC/BC	947,382	1,104,398	-6.2%	4,442,869	5,031,062	-9.5%

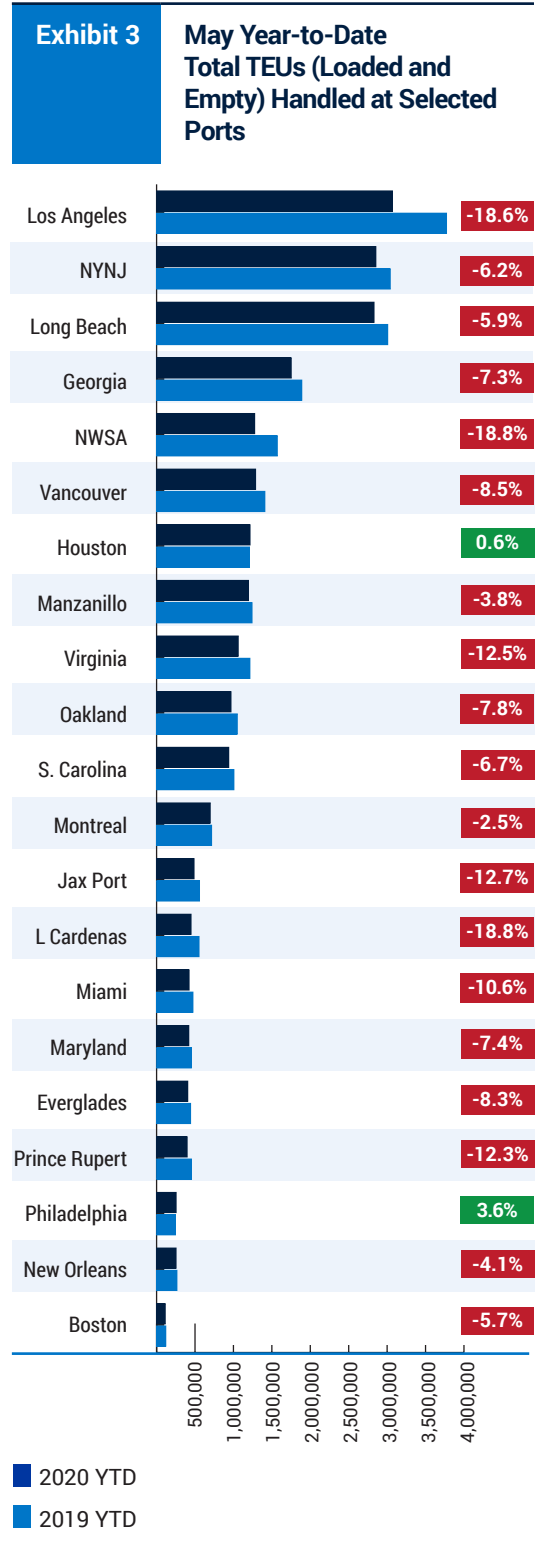
Source Individual Ports



Parsing the May 2020 TEU Numbers Continued

	May 2020 - Outbound Loaded TEUs at Selected Ports			May Year-to-Date Total TEUs (Loaded and Empty) Handled at Selected Ports		
	May 2020	May 2019	% Change	May 2020 YTD	May 2019 YTD	% Change
Los Angeles	104,382	167,357	-37.6%	638,524	769,362	-17.0%
Long Beach	134,556	120,577	11.6%	616,682	598,392	3.1%
San Pedro Bay Totals	238,938	287,934	-17.0%	1,255,206	1,367,754	-8.2%
Oakland	69,720	78,070	-10.7%	391,788	388,750	0.8%
NWSA	59,595	70,541	-15.5%	340,908	377,171	-9.6%
USWC Totals	368,253	436,545	-15.6%	1,987,902	2,133,675	-6.8%
Boston	4,086	6,853	-40.4%	28,685	32,833	-12.6%
NYNJ	95,462	132,315	-27.9%	561,843	618,855	-9.2%
Maryland	12,957	19,134	-32.3%	90,340	95,166	-5.1%
Virginia	72,160	88,065	-18.1%	394,241	417,315	-5.5%
South Carolina	58,972	71,399	-17.4%	331,400	348,232	-4.8%
Georgia	122,271	126,895	-3.6%	627,810	641,337	-2.1%
Jaxport	38,528	42,180	-8.7%	190,611	209,855	-9.2%
Port Everglades	20,643	35,805	-42.3%	142,668	175,566	-18.7%
Miami	26,545	35,357	-24.9%	152,578	174,502	-12.6%
USEC Totals	451,624	558,003	-19.1%	2,520,176	2,713,661	-7.1%
New Orleans	25,307	24,545	3.1%	123,897	123,259	0.5%
Houston	100,538	91,808	9.5%	536,954	516,063	4.0%
USGC Totals	125,845	116,353	8.2%	660,851	639,322	3.4%
Vancouver	96,902	95,220	1.8%	444,686	480,353	-7.4%
Prince Rupert	16,282	19,458	-16.3%	83,443	86,393	-3.4%
British Columbia Totals	113,184	114,678	-1.3%	528,129	566,746	-6.8%
US/Canada Total	1,058,906	1,225,579	-13.6%	5,697,058	6,053,404	-5.9%
US Total	819,877	994,548	-17.6%	4,508,078	4,847,336	-7.0%
USWC/BC	481,437	551,223	-11.0%	2,516,031	2,700,421	-5.3%

Source: Individual Ports



Source: Individual Ports



Parsing the May 2020 TEU Numbers *Continued*

Things were actually much worse along the East Coast. The Port of New York/New Jersey handled 74,676 fewer TEUs inbound loads than in May 2019. That drop of 21.9% was close to the norm for USEC ports. Charleston sustained a 17.0% (-14,937 TEUs) slump, and Savannah's inbound laden traffic slid by 16.5% (-30,535 TEUs). More precipitous was the 26.7% (-31,923 TEUs) drop at Virginia. Substantial year-over-year declines were also reported by Maryland (-23.5% or -11,587 TEUs), JaxPort (-21.7% or -6,561 TEUs), Port Everglades (-24.2% or -6,209 TEUs), and Miami (-21.8% or -8,285 TEUs). The nine East Coast ports we regularly track recorded a 20.9% (-185,710 TEUs) fall-off from a year earlier.

Along the Gulf Coast, inbound loads were off at Houston by 7.1% (-7,617 TEUs) but up 5.7% (+739 TEUs) at New Orleans, leaving the two Gulf Coast ports we track with a combined fall-off of 5.7% (-6,878 TEUs).

The two British Columbia ports we monitor saw vastly different results. Inbound loads at Vancouver were up a modest 1.3% (+1,709 TEUs), but Prince Rupert recorded a massive 36.7% drop (-21,139 TEUs), giving the two Canadian ports a combined 10.3% (-19,430 TEUs) decline from last May.

In market share terms, the Big Five USWC ports saw their share of inbound loads discharged at the U.S. mainland ports we track rise to 48.8% in May from 47.6% a year earlier.

USWC share of inbound loads through the seven major U.S. and Canadian Pacific Coast ports slipped to 82.2% from 82.9% last May. On a year-to-date basis, the USWC share of the binational traffic in outbound loads declined to 85.0% from 85.6%.

In its June 8 forecast update, Global Port Tracker estimated that the thirteen U.S. ports it monitors would handle 1.58 million loaded import TEUs in May, which would be down 14.6% from a year earlier. Based on what those ports have now reported, inbound loads at those thirteen ports totaled 1,594,105 TEUs in May, which was down 17.2% from a year earlier.

May 2020 Export Traffic

The Ports of Long Beach and Los Angeles posted divergent export numbers in May. At the Port of LA, outbound loads tumbled by 37.6% (-62,975 TEUs) from

the previous May, while Long Beach posted an impressive 11.6% (+13,979 TEUs) gain. Together, outbound loads at the two Southern California ports were down by 17.0% (-48,996 TEUs).

Outbound loads in May were also down elsewhere along the USWC. Oakland saw a 10.7% (-8,350 TEUs) decline, while outbound loads dropped by 15.5% (-10,946 TEUs) at the two NWSA ports. That left outbound loads in May through the Big Five USWC ports down by 15.6% (-68,292 TEUs) from the same month a year earlier.

The numbers were even more dreadful along the Atlantic Seaboard, where export counts were uniformly down, mostly by double digits. Outbound loads from PNYNJ plummeted by 27.9% (-36,853 TEUs) from a year earlier, while Charleston shipped 12,427 fewer loaded TEUs (-17.4%). Outbound loads were also down: by 15,905 TEUs (-18.1%) at Virginia; by 4,624 TEUs (-3.6%) at Savannah; by 8,812 TEUs (-24.9%) at Miami; and by 32.3% (-6,177 TEUs) at Maryland. Port Everglades sustained a 42.3% (-15,162 TEUs) drop in outbound loads. Coastwise, outbound loads at the nine USEC ports we follow were down 19.1% (-106,379 TEUs).

The two Gulf Coast ports we monitor saw outbound loads rise, by 9.5% (+8,730 TEUs) at Houston and by 3.1% (+762 TEUs) at New Orleans. Up in British Columbia, a 1.8% (+1,682 TEUs) gain in outbound loads was more than offset by a 16.3% (-3,176 TEUs) decline at Prince Rupert.

Altogether, outbound loads from the sixteen U.S. mainland and two British Columbia ports reporting May TEU figures were down 13.6% (-166,673 TEUs) from last May.

The Big Five USWC ports saw their share of outbound loads sailing from the U.S. mainland ports in May actually increase to 44.9% from 43.9% a year earlier.

However, the USWC share of outbound loads through the seven major U.S. and Canadian Pacific Coast ports fell to 76.5% from 79.2% last May.

Weights and Values

Even though the TEU is the shipping industry's preferred unit of measurement, we offer two alternative metrics – the declared weight and value of the goods contained in those TEUs – in hopes of further illuminating recent



Parsing the May TEU Numbers *Continued*

Exhibit 4 USWC Ports Shares of Worldwide U.S. Mainland, May 2020

	May 2020	Apr 2020	May 2019
Shares of U.S. Mainland Ports Containerized Import Tonnage			
LA/LB	26.8%	26.8%	27.6%
Oakland	4.3%	4.3%	4.0%
NWSA	5.3%	4.9%	5.6%
Shares of U.S. Mainland Ports Containerized Import Value			
LA/LB	35.0%	34.0%	34.8%
Oakland	4.0%	3.8%	3.5%
NWSA	6.3%	6.2%	6.7%
Shares of U.S. Mainland Containerized Export Tonnage			
LA/LB	20.7%	20.8%	22.0%
Oakland	6.9%	7.3%	6.1%
NWSA	8.3%	7.8%	7.7%
Shares of U.S. Mainland Containerized Export Value			
LA/LB	22.3%	21.6%	20.7%
Oakland	7.2%	8.1%	6.0%
NWSA	4.5%	4.4%	4.2%

Source: U.S. Commerce Department.

trends in the container trade along the USWC. For the most part, these numbers contain little good news for USWC port officials.

Exhibit 4: USWC Ports and the Worldwide Container Trade. Exhibit 4 features some generally expected numbers on containerized imports (regardless of point of origin) entering mainland U.S. ports. The two San Pedro Bay ports actually saw their combined percentage of containerized import tonnage slide in May to 26.8% from 27.6% a year earlier. However, the two did enjoy a slight bump to 35.0% from 34.8% in their joint share of the declared value of containerized imports. Meanwhile, the Port of Oakland's share of import tonnage rose to 4.3% from 4.0% a year ago, with its share of import value also edging up to 4.0% from 3.5%. Further north, the two NWSA ports saw their combined share of import tonnage decline

Exhibit 5 USWC Ports Shares of U.S. Mainland Trade With East Asia, May 2020

	May 2020	Apr 2020	May 2019
Shares of U.S. Mainland Ports' East Asian Container Import Tonnage			
LA/LB	42.0%	44.6%	44.4%
Oakland	4.7%	4.9%	4.6%
NWSA	7.6%	7.2%	7.9%
Shares of U.S. Mainland Ports' East Asian Container Import Value			
LA/LB	50.1%	51.5%	51.6%
Oakland	4.4%	4.6%	4.0%
NWSA	8.7%	8.9%	9.6%
Shares of U.S. Mainland Ports' East Asian Container Export Tonnage			
LA/LB	32.1%	33.6%	36.3%
Oakland	9.6%	10.7%	9.2%
NWSA	12.8%	12.5%	12.5%
Shares of U.S. Mainland Ports' East Asian Container Export Value			
LA/LB	40.5%	40.2%	43.5%
Oakland	11.9%	13.8%	11.2%
NWSA	8.6%	8.1%	8.7%

Source: U.S. Commerce Department.

to 5.3% from 5.6% and, in value terms, to 6.3% from 6.7%.

On the export side, the Southern California ports shed market share in tonnage terms but increased their share by dollar value. Oakland fared much better with significant year-over-year gains in both export value and export tonnage. The NWSA ports' combined share of U.S. containerized export tonnage jumped while their share of export value was also up from last May.

Exhibit 5: USWC Ports and the East Asia Trade. The figures on containerized imports arriving at U.S. mainland ports from East Asia in May were not encouraging for USWC port officials. The Ports of Los Angeles and Long Beach saw their combined share of containerized import tonnage from East Asia decline to 42.0% from 44.4% a year earlier. At the same time, their collective share of containerized import value slipped to 50.1% from 51.6%.



Parsing the May TEU Numbers *Continued*

Elsewhere along the coast, Oakland improved on both measures, but the NWSA ports saw declines in both import value and tonnage shares.

On the outbound side, the San Pedro Bay ports' share of containerized export tonnage to East Asia slid to 32.1% from 36.3% a year earlier, while their combined share of the value of those containerized imports dropped to 40.5% from 43.5%. Oakland experienced sizable year-over-year bumps in both its import tonnage and value tonnage shares. Meanwhile, the two NWSA ports saw their shares of U.S. containerized export tonnage rise even though their share of the value of those shipments slipped slightly.

What's What's in the Box Worth?

Those of us who spend an ungodly portion of our days tracking the movement of containers need to periodically remind ourselves that, in the broader scheme of things, it's what's actually in the box that really counts. After all, neither gross domestic product nor the wagers my bookie expects me to cover are dominated in TEUs. So, for a different perspective, here are some dollar numbers that may bring a measure of comfort to the operators of West Coast ports.

Last year, containerized goods arriving at USWC ports were worth an average of \$5.62 per kilogram. Here's the port-by-port value per kilo breakdown: Los Angeles/Long Beach, \$5.95; NWSA, \$6.05; Oakland, \$4.27. (Oakland imports an awful lot of inexpensive bottles from China that will eventually be filled with California wine.)

By contrast, East Coast ports handled containerized imports in 2019 that were worth an average of \$4.36 per kilo. Goods coming through the Port of New York/Jersey were valued at a penny more than the East Coast average at \$4.37. Savannah's imports were worth a more respectable \$4.95, while Charleston's containerized imports were valued at \$5.52, and Norfolk's inbound trade was worth \$4.99 per kilo.

Along the Gulf Coast, containerized imports averaged only \$2.72 per kilo, even though Houston's containerized imports were worth \$3.32 on average.

East vs. West, containerized imports through USWC ports were nearly 30% more valuable than goods shipped through USEC ports.

The Ro-Ro Trade in Teslas

The pandemic took a big piece out of exports of electric vehicles from the Port of San Francisco's Pier 80 in March and April as Tesla was obliged to shut down production at its only U.S. assembly plant in nearby Fremont. After shipping \$1.35 billion in vehicles in this year's first two months, exports dove to zero over the next two months before recovering to \$196.38 million in May, down 71.9% from the same month a year earlier. At this time, it is unclear how a reported spike in positive COVID-19 cases among Tesla employees will affect operations at the Fremont facility. More than 130 Tesla workers, plus a dozen contractors and temporary employees, have reported tested positive for COVID-19.

Shipments from San Francisco in May went mostly to Belgium (\$139.45 million), with South Korea accounting for \$56.93 million in vehicles.

Soybeans

U.S. Commerce Department data indicate that soybean exports were down 23.1% year-over-year in May, to 1.65 million metric tons. Shipments to China were off by 86.5%. Sizable increases were, however, reported to Egypt, South Korea, and Italy. Exports to Japan were up 63.3% by tonnage. Along the USWC, the Port of Los Angeles and Long Beach accounted for 11.3% of those exports, while the Northwest Seaport Alliance ports handled 5.7%. Soybean shipments through the smaller river ports of the Pacific Northwest such as Kalama and Longview in Washington State were also far lower than a year ago.

Face Masks

From 2015 through 2019, the U.S. imported an average of \$1.59 billion of N95 masks during the first five months of each year. This year, we imported a lot more – \$6.71 billion – because of a surge in April and May imports. First quarter imports were actually lower than during the same quarter last year (\$965.01 million from \$1.05 billion). Things changed abruptly in April, in three ways. Not only did imports surge by 457% year-over-year in April and by 811% in May, the trade decisively took to air. Indeed, containerized mask imports in April and May of this year were down 8.0% by tonnage. While only 2-4% of facial mask imports arrived by air in previous years, just over 75% of masks imported in April and May came by plane. And, as demand soared, so did the prices. The declared



Parsing the May TEU Numbers *Continued*

air value of a kilo of imported masks this May was nearly four times higher than a year earlier.

Given the considerable time-lag involved in shipping products by sea from China (from which most of the mask imports originated) to the U.S., it is scarcely surprising that the sudden demand caused by the COVID-19 virus resulted in a surge in air shipments. Most likely, coming months will see maritime containers carry growing shares of the import trade in facial masks.

Who's #1?

Because it generally takes the box counters at the Port of New York/New Jersey at least five weeks to reveal the latest month's TEU counts, May is currently the most recent month for which comparable statistics are available for ranking the nation's three busiest ports. So,

for the record in the month of May, the Port of Long Beach was the nation's busiest container port with total traffic amounting to 628,205 TEUs. The Port of Los Angeles ran second with 581,665 TEUs, while PNYNJ placed third with 537,412 TEUs.

For sticklers demanding that only loaded boxes be counted, Long Beach was still the country's busiest container port in May with 446,146 TEUs, outdistancing the 410,705 loaded TEUs handled by the Port of Los Angeles and the 361,456 TEUs at PNYNJ.

The YTD totals (loads + empties) for the first five months of the year showed Los Angeles in the lead with 3,070,413 TEUs, with PNYNJ (2,854,319 TEUs) in second place followed by Long Beach with 2,830,855 TEUs.

Jock O'Connell's Commentary: Toys and Tires

Most discussions about market share loss cite highly aggregated numbers like the number of TEUs that might have transited a West Coast port were it not for *[insert whatever explanation best suits your agenda]*. This month, I thought it might be interesting to bore deeper into the available trade statistics by focusing on two particular commodity classifications to see whether recent developments on the trade policy front have been reshaping the flow of containerized imports through U.S. seaports.

In both of the cases examined here, U.S. West Coast ports have been seeing import traffic routed through ports elsewhere in North America. In the case of toys, the erosion of the USWC share of containerized imports looks like straightforward pilferage by ports on the East and Gulf Coasts. In the case of tires, U.S. tariffs and quotas have dramatically – and with remarkable alacrity – altered the supplier landscape, to the detriment of USWC ports.

Toys R China. Back when I was a railroad baron in the 1950s, I would receive gifts nearly every Christmas and birthday containing new components for what I

regarded as my private segment of the Boston & Maine Railroad, the one that ran through the attic of our house in Portland. Admittedly, it was not as impressive as the layout my friend Charlie had in his basement, but then of course his father was CEO of an actual railroad, the Maine Central. Still, I'm sure I derived much more enjoyment from model railroading back then than the average ten-year-old today gets playing ephemeral video games.

Times certainly change.

My electric train sets were manufactured in Hillside, New Jersey by Lionel, a company that later floundered through a debilitating series of mergers, acquisitions, and bankruptcies. Although I understand that someone did eventually buy the trademark, my guess is that the rolling stock now being marketed under the Lionel brand is no longer "Made in the USA".

With The Toy Association reporting that the average retail price of a toy today is \$10, it is scarcely surprising that much of the toy industry's manufacturing capacity long ago fled offshore. U.S. Commerce Department data indicate that imports of toys (Harmonized System



Commentary Continued

Classification Code 9503) amounted to \$14.6 billion last year. Nearly all of which (\$13.2 billion) arrived in containers.

Equally unsurprising is that the overwhelming majority of our imported toys come from China. Despite the trade policy disputes between President Trump and the Chinese over the past couple of years, China's share of U.S. toy imports was 84.2% in 2019, down only slightly from 85.8% in the pre-tariff-war year of 2017. A once-feared Tariff War on Christmas toys fortunately never materialized.

China also dominates imports of the more expansive category of playthings that includes sporting goods, exercise equipment, and even pinball machines – in addition to a vast array of toys, puzzles, tricycles, and model railroads. In 2017, the year before the tariff was erupted, the United States imported \$31.3 billion in toys and sporting goods (HS95). China's share was 81.5%, easily besting second-place Mexico, which accounted for just 3.4% of HS95 imports. By last year, China's share had slipped to a still commanding 78.1%, while Mexico (with a 2.9% share) had been overtaken by Vietnam and Taiwan (both with 3.9% shares).

In terms of containerized import tonnage, China's role has been even more imposing, accounting for 90.2% of the 3.45 million metric tons of toy, games, and sporting goods offloaded at U.S. seaports in 2017. Bilateral trade disputes had little impact, with China's share of containerized HS95 import tonnage slipping to 89.4% last year.

As with so many other categories of imported merchandise, U.S. West Coast ports have sustained a significant

Exhibit A

Containerized Imports of HR 95 (Toys, Games, Sporting Goods)

Source: U.S. Commerce Department

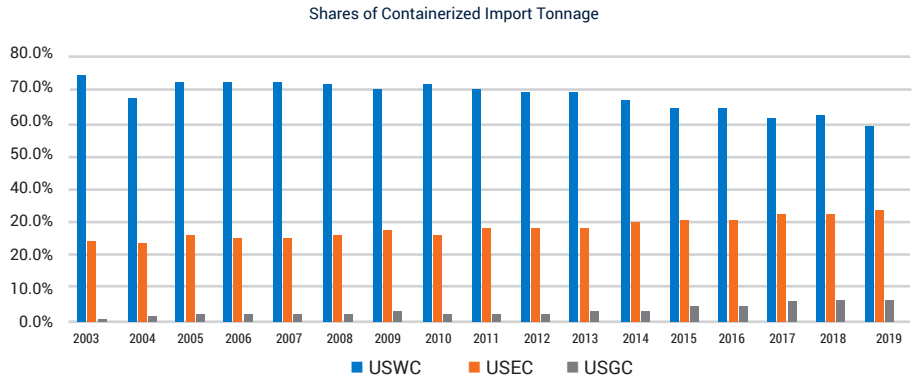
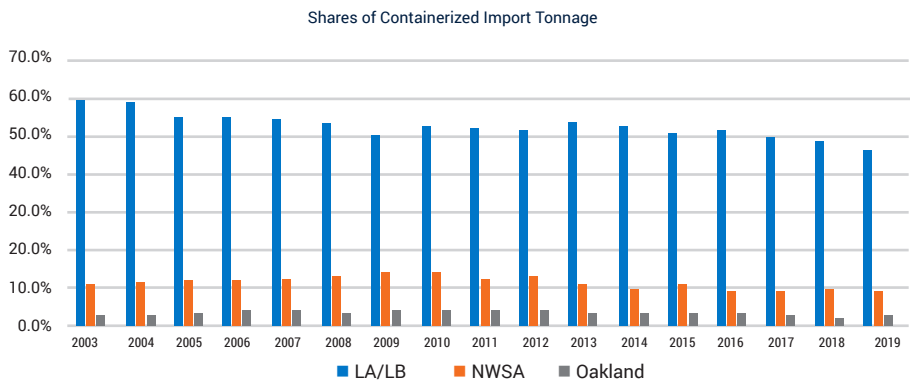


Exhibit B

Containerized Imports of HR 95 (Toys, Games, Sporting Goods)

Source: U.S. Commerce Department



loss of market share to ports along the East and Gulf Coasts. As Exhibit A reveals, the USWC share of containerized HR95 import tonnage, which was as high as 74.9% in 2004, fell to 59.1% last year. By contrast, East Coast ports saw their share rise from 24.5% in 2003 to 33.8% in 2019, while the share held by Gulf Coast ports jumped from less than one percent in 2003 to 7.1% last year.

As Exhibit B indicates, all three USWC port complexes experienced diminished shares of the U.S. toy import trade. In 2003, the San Pedro Bay ports of Los Angeles and Long Beach handled nearly 60% of all containerized HR95 import tonnage arriving at U.S. seaports. By last year, that share had declined to 46.2%. The Northwest Seaport Alliance ports of Tacoma and Seattle saw their collective share of toy imports peak in



Commentary Continued

2009 at 14.3% before declining almost steadily to a 9.7% share last year. The Port of Oakland handled as much as 4.3% of the trade in 2012 but then saw that share drop to a low of 2.4% in 2018 before recovering to 2.9% last year.

Competing ports on the East Coast saw their shares grow. The Port of New York/New Jersey enjoyed a smallish gain, from 9.4% in 2003 to 10.9% last year, while the Ports of Savannah and Charleston saw their combined 8.7% share in 2003 jump to 12.7% last year.

Tires R Thailand. Supply chain disruptions occasioned by tariffs and plagues have reportedly prompted many U.S. businesses to consider the presumed virtues of diversification in sourcing. More specifically, U.S. companies are said to be growing increasingly dubious about relying extensively, if not exclusively, on suppliers in China. Perhaps all of the rhetoric being spouted in the nation's capital these days about "de-coupling" the economies of America and China have prompted skittishness in many boardrooms. It certainly seems to be the intent of Secretary of State Michael Pompeo and White House epidemiologist-economist Peter Navarro to discourage commercial ties between the world's two largest economies.

To be sure, migration of manufacturing operations out of China has been underway for some years now. Over lunch in Hong Kong in 2007, I listened as a Chinese entrepreneur laid out his plan for moving his textile business out of neighboring Guangdong Province because of rising costs. His intended destination: Kenya. More current thinking is that manufacturers will shift

from China to locations in Southeast Asia. And that prospect, of course, has given rise to fears that goods produced in places like Vietnam, Thailand, Malaysia, and Indonesia would more readily find their way to U.S. markets via the Suez Canal.

Some cynics have pushed back, arguing that a shift of manufacturing capacity out of China big enough to substantially alter maritime trade flows would take years to accomplish. Moving manufacturing capacity from one country to another is a daunting challenge, one that involves much more than throwing up a new building and hiring a workforce. Entire clusters of suppliers and subcontractors would also have to move. The conclusion drawn by many pundits is that it will be many years before today's doubts about the dependability of Chinese suppliers translates into a reshaping of maritime trade routes.

But then there is the example of tire imports.

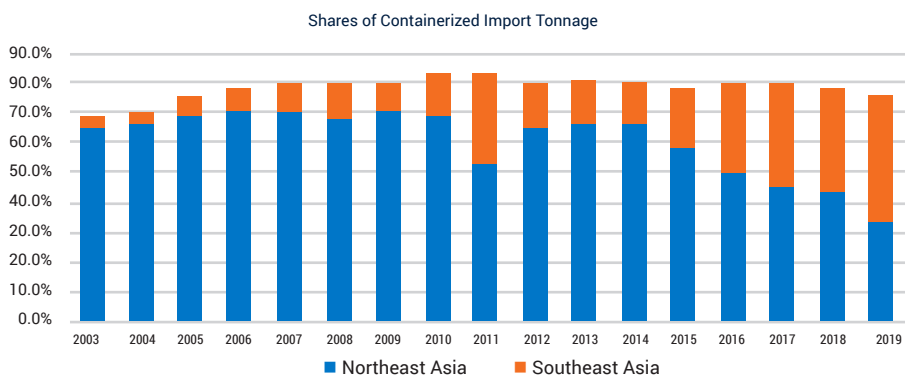
Last year, U.S. imports of new passenger automobile tires (HS4011) totaled \$14.6 billion. Once upon a time (i.e., 2014), China was the leading source of U.S. imports of new automobile tires with a 29.2% share of the trade. That was more than double second-place Canada's share that year. Since then, though, a series of import restrictions has resulted in a sharp decline in China's import share, all the way down to 7.9% last year. Canada, while still the second largest supplier of tires, also saw its share slide to 10.8% in 2019 from a high of 19.1% in 2009. The big winner has been Thailand, which saw its share of the U.S. import market grow from less than one percent in 2003 to 24.2% last year.

Let's focus now on containerized imports of tires from countries outside of North America. What we find is that there has been a remarkable and relatively rapid shift in the regions accounting for the great majority of

Exhibit C

Shifting Major Sources of Containerized Tire Imports

Source: U.S. Commerce Department





Commentary Continued

containerized tires arriving at U.S. seaports in recent years. In 2003, as **Exhibit C** shows, the declared weight of containerized new passenger automobile tire imports from Northeast Asia accounted for 65.1% of all containerized tire imports through American seaports. That share peaked in 2007 at 70.4% before plummeting to 33.9% last year. By contrast, imports from Southeast Asia in 2003 represented just 3.3% of all containerized imports. But, by last year, that share had burgeoned to 42.4%.

Between 2003 and 2019, all four of the major Northeast Asia countries exporting passenger tires to the U.S. saw their shares of the U.S. import trade decline. In Japan's case, a 22.8% share in 2003 fell to 8.3% last year. China's share plunged from 23.0% to 13.3% in the same period. South Korea sustained a drop from a 12.8% share in 2003 to an 8.3% share last year, while Taiwan's share slipped from 6.6% to 4.0%. Conversely, Thailand led the rise in Southeast Asia's role in the U.S. tire import trade with a jump from 1.4% to 28.6%.

So did the swift ascendancy of Southeast Asia tire exporters affect maritime trade flows? Befitting Southern California's car culture, the San Pedro Bay Ports of Los Angeles and Long Beach have continued to be the leading gateway for imports of HS4011. There has, however, been a marked decline in the two ports' share of U.S. tire imports since the peak year of 2011, when LA and Long Beach combined to handle 64.5% of all new passenger automobile tires imported through U.S. mainland ports.

Who were the beneficiaries? Certainly not the Northwest Seaport Alliance

Exhibit D

Containerized Tire Imports from Northeast Asia: 2003-2020

Source: U.S. Commerce Department

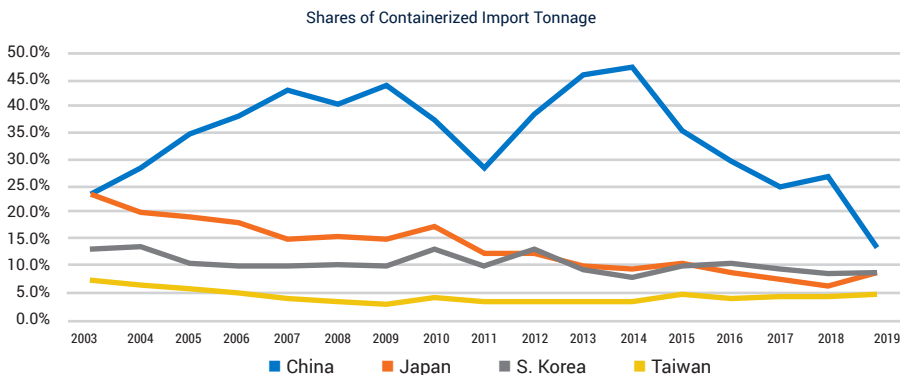


Exhibit E

Containerized Tire Imports from Southeast Asia: 2003-2020

Source: U.S. Commerce Department

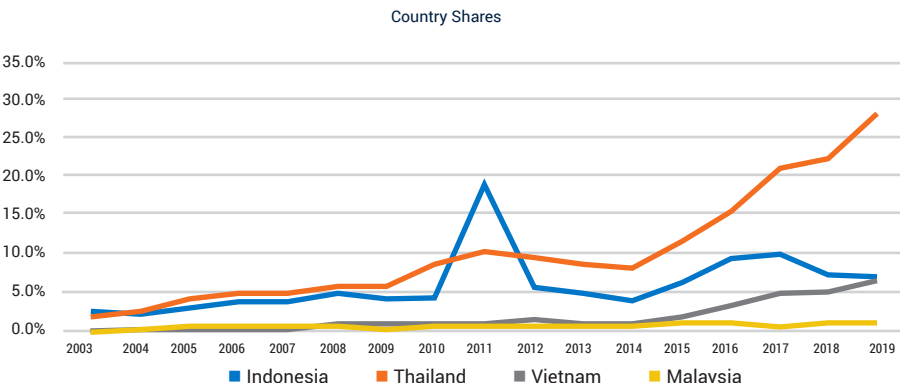
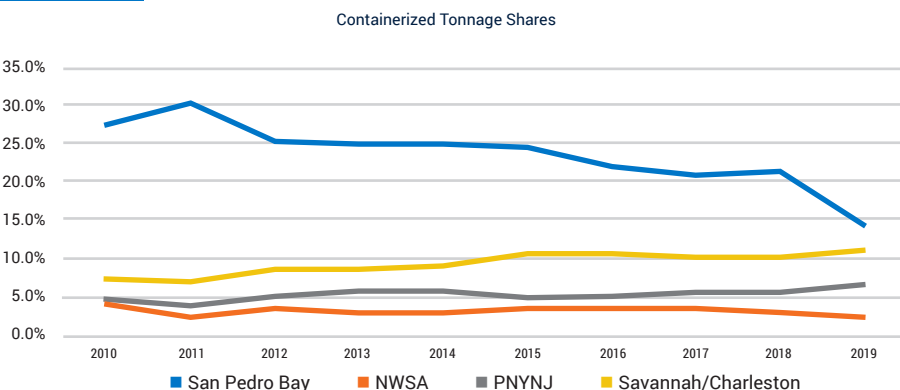


Exhibit F

U.S. Containerized Tire Imports by "Four Corners"

Source: U.S. Commerce Department





Commentary Continued

ports of Tacoma and Seattle. Their share was nearly halved between 2003 and 2019, falling from 8.5% to 4.3%. While Oakland remained steady at 2.3%, the Ports of Los Angeles and Long Beach, nation's largest maritime gateway, saw their share of the trade slide from 44.1% to 38.9% last year. Elsewhere, the share of tire imports arriving at the Port of New York/New Jersey rose from 6.3% to 13.0%, while the Port of Savannah and Charleston enjoyed a jump in share from 16.3% to 21.5%.

Given the scale of investments in tire manufacturing in Southeast Asia by companies such as Goodyear,

Bridgestone, Michelin, and others (combined with the expanding role of the American Southeast in new car production), it would appear that USWC ports will be extremely hard-pressed not to see a continued deterioration in their shares of the nation's imports of new passenger car tires.

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

Who's On First?

By John McLaurin, President, Pacific Merchant Shipping Association

In a coronavirus-shortened season, the Oakland A's baseball season is about to start in a stadium filled with cardboard cutouts of fans. Ironically, the cardboard cutouts will probably break the A's attendance records of the past couple of decades.

According to the Port of Oakland in 2019, the Port and its partners provide 84,144 jobs in the Bay Area and contributed \$698 million to state and local taxes. Business revenue, consumer spending and value of goods and services create the Port's overall economic value of \$130 billion.

Yet there is still uncertainty about whether the Port's commitment is to the trade community or the dream of luring the A's and their cardboard cutouts to the waterfront.

Way back in November 2019, long before the Coronavirus pandemic, the Port of Oakland hosted a meeting crowded with maritime stakeholders to discuss the proposed ballpark/hotel/housing/office development project at the port's Howard Terminal site. Also in attendance at this meeting were senior port staff and several port commissioners.

The purpose of the November meeting was to discuss "seaport compatibility measures" – mechanisms and safeguards to ensure that the A's proposed development wouldn't impact existing or future maritime operations, waterfront jobs, or the port's own future seaport revenue streams.

Lots of ideas and suggestions were offered in good faith by the many members of the trade community who are rightfully afraid of the consequences of introducing housing, office workers, and tens of thousands of sports fans into the current Howard Terminal footprint. Words of assurance were provided by port staff and commissioners. A summary of the meeting was dutifully written up by port staff and posted on the port website. All of the boxes were checked.

But in the intervening months since that meeting, nothing else has happened with regard to the seaport compatibility measures effort.

There has been no follow-up with stakeholders, no status report to port tenants and customers, no requests for additional information and no feedback on proposals. Nothing. Just silence.



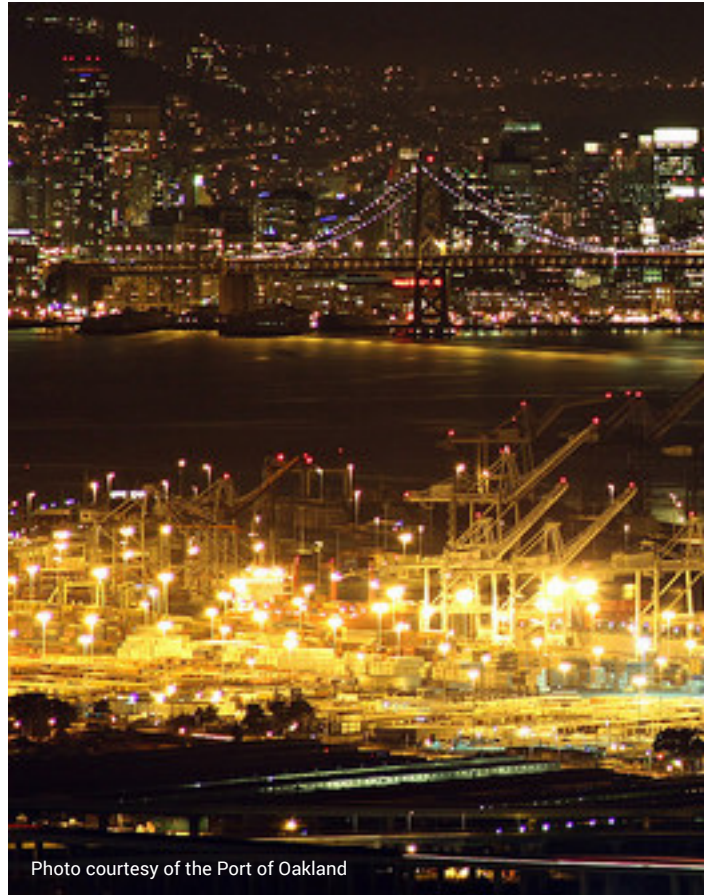
Who's On First? *Continued*

The only noise being made is by the Oakland A's, who have started up their public pronouncements about their commitment to move forward with the development of the project, and to hold as close as possible to an accelerated timeline.

In the movie *Field of Dreams*, while watching a game of baseball, farmer Ray Kinsella tells his daughter Karin, to

"Watch Joe. Watch his feet as the pitcher gets the sign and starts to pitch. A good left fielder knows what pitch is coming, and he can tell from the angle of the bat where the ball's going to be hit."

At this point, the trade community is watching the Port of Oakland Harbor Commissioners to see where "the ball's going to be hit."



Interested in membership in PMSA?

Contact Laura Germany for details at: lgermany@pmsaship.com or 510-987-5000.

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Dwell Time Down in June

