



Parsing the December 2018 and CY2018 Loaded TEU Numbers

First a note on that widely heralded import surge. While our friends at the Wall Street Journal reported last week of a “steady wave of imports into Southern California’s ports,” we’re churlish enough to point out – as we’ll do again below on page 5 – that the two San Pedro Bay ports actually saw their combined inbound loaded container volume surge by all of 0.8% (+6,273 TEUs) from the preceding January. That’s not a wave worth surfing.

Having gotten that off our agenda, we now take a detailed look at the loaded container traffic for December and for the entire CY2018. Please note: The numbers here are not derived from forecasting algorithms but rather represent the actual TEU counts as reported by the North American seaports we survey each month. Also note that, unless otherwise stated, the numbers in this part of our analysis do not include empty containers.

Import Traffic

On the inbound side, December’s container trade through U.S. West Coast ports surged again as goods ordered by anxious importers drove up inbound loads coastwide by 15.1% (+140,152 TEUs). Fear of impending cost increases seems to be an excellent motivator. (Even though Presidents Trump and Xi agreed at the G-20 summit in Buenos Aires just after Thanksgiving to postpone any further tariff increases until March 1, orders had already been placed and ships were at sea.)

Exhibit 1	December 2018 - Inbound Loaded TEUs at Selected Ports					
	Dec 2018	Dec 2017	% Change	Dec 2018 YTD	Dec 2017 YTD	% Change
Los Angeles	468,906	385,492	21.6%	4,870,582	4,716,089	3.3%
Long Beach	373,098	345,721	7.9%	4,097,377	3,863,187	6.1%
San Pedro Bay Totals	842,004	731,213	15.2%	8,967,959	8,579,276	4.5%
Oakland	87,056	78,703	10.6%	965,552	919,523	5.0%
NWSA	138,873	117,865	17.8%	1,452,623	1,380,785	5.2%
USWC Totals	1,067,933	927,781	15.1%	11,386,134	10,879,584	4.7%
Boston	11,712	11,594	1.0%	147,820	130,023	13.7%
NYNJ	317,332	274,366	15.7%	3,676,113	3,396,469	8.2%
Maryland	44,195	41,094	7.5%	511,995	473,809	8.1%
Virginia	111,566	105,867	5.4%	1,327,409	1,276,335	4.0%
South Carolina	89,079	80,426	10.8%	1,010,466	955,285	5.8%
Georgia	176,441	148,121	19.1%	2,081,368	1,875,831	11.0%
Jaxport	30,179	28,111	7.4%	328,689	293,685	11.9%
Port Everglades	33,040	33,514	-1.4%	369,495	359,246	2.9%
Miami	33,876	32,939	2.8%	413,226	395,343	4.5%
USEC Totals	847,420	756,032	12.1%	9,866,581	9,156,026	7.8%
New Orleans	11,147	10,794	3.3%	121,938	117,981	3.4%
Houston	99,401	93,459	6.4%	1,178,697	1,075,721	9.6%
USGC Totals	110,548	104,253	6.0%	1,300,635	1,193,702	9.0%
Vancouver	138,641	131,803	5.2%	1,743,399	1,677,800	3.9%
Prince Rupert	51,833	43,581	18.9%	568,995	523,979	8.6%
British Columbia Totals	190,474	175,384	8.6%	2,312,394	2,201,779	5.0%
US/BC Totals	2,216,375	1,963,450	12.9%	24,865,744	23,431,091	6.1%
US Total	2,025,901	1,788,066	13.3%	22,553,350	21,229,312	6.2%

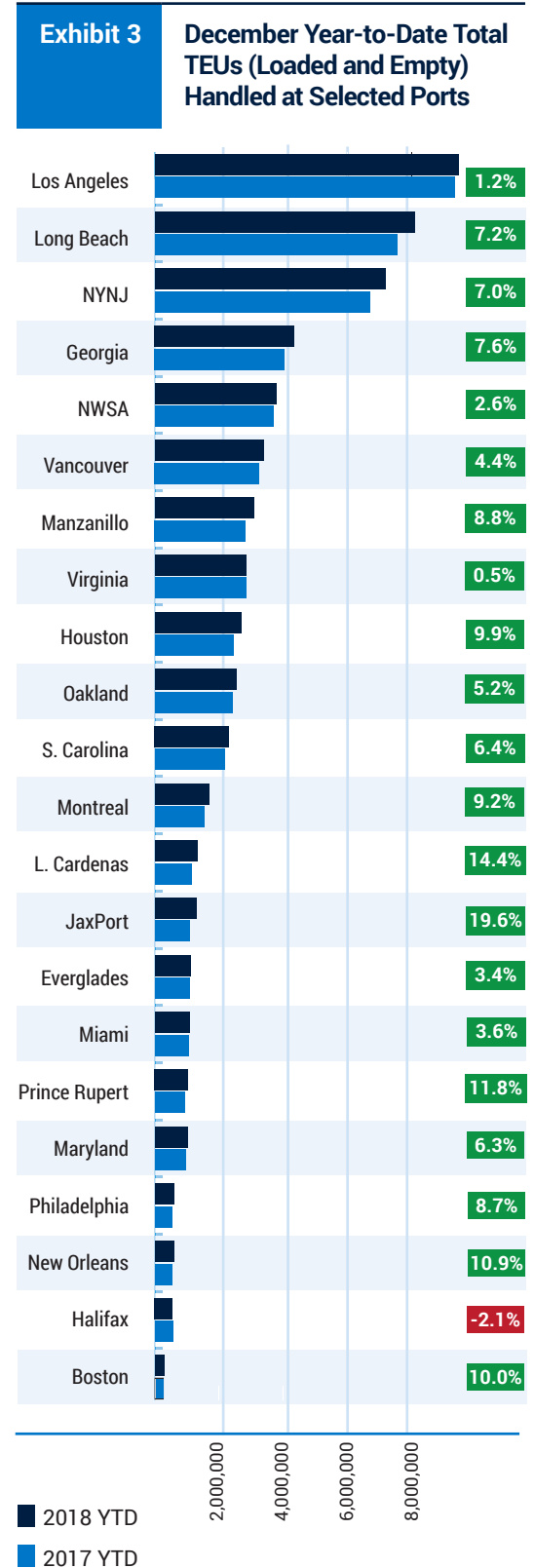
Source Individual Ports



Parsing the December 2018 and CY2018 Loaded TEU Numbers Continued

	December 2018 - Outbound Loaded TEUs at Selected Ports			December Year-to-Date Total TEUs (Loaded and Empty) Handled at Selected Ports		
	Dec 2018	Dec 2017	% Change	Dec 2018 YTD	Dec 2017 YTD	% Change
Los Angeles	147,965	152,866	-3.2%	1,904,054	1,899,927	0.2%
Long Beach	113,329	137,449	-17.5%	1,523,008	1,470,514	3.6%
San Pedro Bay Totals	261,294	290,315	-10.0%	3,427,062	3,370,441	1.7%
Oakland	72,389	80,490	-10.1%	897,804	930,826	-3.5%
NWSA	85,350	86,844	-1.7%	953,495	964,067	-1.1%
USWC Totals	419,033	457,649	-8.4%	5,278,361	5,265,334	0.2%
Boston	5,897	7,568	-22.1%	80,190	87,584	-8.4%
NYNJ	115,927	121,093	-4.3%	1,476,780	1,415,322	4.3%
Maryland	16,398	19,788	-17.1%	228,449	240,574	-5.0%
Virginia	75,418	90,241	-16.4%	977,756	1,014,570	-3.6%
South Carolina	60,871	69,693	-12.7%	809,872	804,203	0.7%
Georgia	98,507	118,300	-16.7%	1,444,403	1,372,453	5.2%
Jaxport	35,892	21,733	65.1%	487,088	410,920	18.5%
Port Everglades	36,826	40,211	-8.4%	457,365	442,411	3.4%
Miami	33,156	32,652	1.5%	395,498	390,135	1.4%
USEC Totals	478,892	521,279	-8.1%	6,357,401	6,178,172	2.9%
New Orleans	21,465	22,773	-5.7%	288,347	275,629	4.6%
Houston	85,646	82,251	4.1%	1,076,066	963,568	11.7%
USGC Totals	107,111	105,024	2.0%	1,364,413	1,239,197	10.1%
Vancouver	95,555	98,249	-2.7%	1,119,590	1,101,645	1.6%
Prince Rupert	16,734	14,172	18.1%	207,111	165,943	24.8%
British Columbia Totals	112,289	112,421	-0.1%	1,326,701	1,267,588	4.7%
US/Canada Total	1,117,325	1,196,373	-6.6%	14,326,876	13,950,291	2.7%
US Total	1,005,035	1,083,952	-7.3%	13,000,175	12,682,703	2.5%

Source: Individual Ports



Source: Individual Ports



Parsing the December 2018 and CY2018 Loaded TEU Numbers Continued

The rush to beat threatened tariffs was most evident at the Ports of Los Angeles and Long Beach, where December saw combined inbound loads swell by 110,791 TEUs (+15.2%) year-over-year. Inbound traffic at Los Angeles soared by 21.6% (+83,414 TEUs), while Long Beach reported a strong 7.9% (+27,377 TEUs) gain. Imports also fared well elsewhere on the USWC. Oakland recorded a strong 10.6% (+8,353 TEUs) increase, while the Northwest Seaport Alliance recorded a 17.8% (+21,008 TEUs) bounce back from the previous December.

By comparison, the U.S. East Coast ports we monitor posted a combined increase of 12.1% (+91,388 TEUs) over December 2017. The only USEC port reporting a fall-off was Port Everglades, with inbound loads in December down slightly (-474 TEUs). The Port of New York/New Jersey (+15.7% or +42,966 TEUs) and Savannah (+19.1% or +28,320 TEUs) led the way along the Atlantic Coast. Along the Gulf Coast, Houston posted a 6.4% (+5,942 TEUs) gain in inbound loads in December, while New Orleans grew its inbound trade by 3.3% (353 TEUs).

Like their competitors to the south, the two British Columbia ports saw imports increase by 8.6% (+15,090 TEUs) in December, with Vancouver up 5.2% (+6,838 TEUs) and Prince Rupert up 18.9% (+8,252 TEUs).

CY2018 Totals. Collectively, the five major USWC container ports reported a 4.7% increase (+506,550 TEUs) in inbound loads over CY2017. At the two San Pedro Bay ports, 388,683 (+4.5%) more loaded inbound TEUs arrived than in the previous year. Despite the robust upsurge in inbound loads at the Port of Los Angeles in December, it was the neighboring Port of Long Beach that accounted for the majority (60.3%) of the CY2018 growth in inbound loads through San Pedro Bay. Up the coast, Oakland (+5.0% or +46,029 TEUs) and the Northwest Seaport Alliance (+5.2% or +71,838) also posted respectable year-over-year gains. All of the USWC ports reported all-time highs in inbound loaded container volumes in 2018.

While the Port of Los Angeles remains the nation's busiest container port, its CY2018 gain of 154,493 TEUs in inbound loads over CY2017 was exceeded by New York/New Jersey (+279,644 TEUs), Long Beach (+234,190 TEUs), and Savannah (+205,537 TEUs).

Exhibit 4 USWC Port Regions' Shares of U.S. Mainland Container Trade, November 2018

	Nov 2018	Oct 2018	Nov 2017
USWC Share of Mainland U.S. Containerized Imports			
By Weight	41.2%	39.9%	42.4%
By Value	49.1%	48.8%	50.7%
USWC Share of Mainland U.S. Containerized Exports			
By Weight	39.8%	38.6%	36.0%
By Value	34.2%	32.6%	34.0%
USWC Share of Mainland U.S. Containerized Imports from East Asia			
By Weight	59.0%	58.1%	62.6%
By Value	68.5%	67.3%	70.8%
USWC Share of Mainland U.S. Containerized Exports to East Asia			
By Weight	62.7%	59.8%	55.3%
By Value	66.1%	63.6%	64.0%

Source: U.S. Commerce Department.

Along the Gulf Coast, import loads for the year were up 9.0% (+106,933 TEUs), while the two British Columbia ports recorded a 5.0% gain (+110,615 TEUs) over CY 2017. All told, the U.S. and Canadian mainland ports which provide us with detailed container statistics reported a collective 6.1% (+1,434,653 TEUs) increase in inbound loaded traffic in CY2018 over the previous year.

Clash of Numbers. On January 17, the esteemed Journal of Commerce cited a PIERS report showing that "in December US containerized imports increased 21.8 percent year over year." Our figures, based on numbers compiled by the individual ports we monitor, indicate a rather more modest increase of 13.3%.

Export Traffic

On the outbound loaded container side of the ledger, trade was almost universally dismal. Only Houston (+4.1% or +3,395 TEUs), Prince Rupert (+18.1% or +2,562 TEUs), and



Parsing the December 2018 and CY2018 Loaded TEU Numbers [Continued](#)

Miami (+1.5% or +504 TEUs) posted positive export number for December.

At the two San Pedro Bay ports, outbound loads were off 10.0% (-29,120 TEUs) as the Port of Los Angeles sustained a 3.23% fall-off (-4,901 TEUs), while 24,120 fewer TEUs (a 17.5% drop) sailed from the Port of Long Beach. Meanwhile, Oakland registered a 10.1 (-8,101 TEUs) decline, while the Northwest Seaport Alliance Ports of Seattle and Tacoma saw export loads slip by 1.7% (-1,494 TEUs) from the previous December. Collectively, the five major USWC ports recorded an 8.4% (-38,616 TEUs) decline in export loads

In British Columbia, the bump in exports at Prince Rupert was more than offset by a 2.7% (-2,694 TEUs) fall-off at Vancouver, leaving the two ports with a combined drop of 0.1% (-132 TEUs).

Along the East Coast, only Miami registered a year-over-year increase in exports in December. The Port of New York/New Jersey handled 5,166 fewer TEUs than in December 2017, while the fall-offs at Virginia (-14,823 TEUs) and Savannah (-19,793 TEUs) contributed to the overall 8.1% (-42,387) decline in loaded outbound boxes along the U.S. Atlantic Seaboard.

Powered by Houston's performance (while subtracting the 5.7% (-1,308 TEUs) decline at New Orleans) gave the USGC a 2.0% (+2,087 TEUs) gain over the previous December.

Northwest Seaport Alliance. Statistics compiled by the Pacific Maritime Association show that December loaded imports at the Port of Tacoma were up by 15.8% (+9,753 TEUs) from last December, while outbound traffic slid by 7.1% (-4,216 TEUs). At the Port of Seattle, import containers jumped by 42.8% (+19,788 TEUs), while outbound shipments were up 1.2% (+504 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.

2018 YTD Totals (Loaded + Empties). Of all the North American ports we monitor, just one sustained a year-over-year decline in total container traffic during 2018. That

was the Port of Halifax in Nova Scotia, which saw a 2.1% dip (-11,797 TEUs) in total container volume. Elsewhere, growth varied from a high of 19.6% (+211,463 TEUs) at JaxPort to a paltry 0.5% (+14,888 TEUs) at Virginia. Not much better was the 1.2% (+115,556 TEUs) increase at North America's busiest container port, Los Angeles. That was much less than the 7.2% (+546,516 TEUs) jump next door at the Port of Long Beach. That left the San Pedro Bay twins with a combined 3.9% gain (+662,072 TEUs), which accounted for 26.1% of the overall gain of 2,663,624 TEUs at the mainland U.S. ports we survey. Altogether, the Big 5 USWC ports accounted to 34.9% of the year-over-year growth (+2,533,739 TEUs) at U.S. mainland port container traffic in 2018.

U.S. East Coast ports, meanwhile, accounted for 50.6% of the increase in total TEUs handled at U.S. mainland ports last year. The two Gulf Coast ports supplying us with data accounted for 11.3% of that growth.

In total, our roster of U.S. ports handled 49,286,958 TEUs in 2018, an increase of 5.6% from the previous year. The 6,659,311 TEUs handled by the Canadian ports we monitor represented a 6.1% gain over 2017, while the two Mexican ports we follow reported handling 4,393,311 TEUs last year, a 10.4% increase.

Impact of Federal Government Shutdown. Blame the federal government shutdown for the weeks-long delay in publication of official U.S. trade statistics. The import/export numbers for this past November, originally slated for publication on January 4, were not released until February 6. The December figures, which normally would have come out on February 5, will not be available until March 6. That's why we're not able to match December's TEU tallies with the same month's numbers on the declared weight and value of the goods within those TEUs. We'll try to get back on track next month.

The East Asia Trade. Now looking at those November figures on declared weights and dollar values, East and Gulf Coast ports continued to make significant inroads into the nation's containerized import trade from East Asia. The declared weight of containerized shipments from East Asia arriving at U.S. mainland ports rose by 7.2% from November 2017. However, the increase at USWC ports



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was a slender 1.0%. But the USWC performance was not uniformly poor. Oakland's inbound tonnage from East Asia was up 7.1% from the previous November, while the Northwest Shipping Association ports recorded a 20.2% jump. Dragging the USWC down was the 3.0% fall-off at the two San Pedro Bay ports in Southern California. In dollar terms, the value of containerized shipments from East Asia through USWC ports actually declined by \$1.2 million from November 2017, even as the value of East Asian shipments into mainland U.S. ports increased by 3.3% or \$1.41 billion over the same period.

Boxes vs. Dollars. As we have stressed before, counting boxes may leave a distorted impression about trade flows. For example, Census Bureau figures show that the value of U.S. merchandise exports through the first eleven months of 2018 rose by 9.0% over the same period in 2017. Meanwhile, the numbers of outbound loaded TEUs sailing from the U.S. ports we survey rose by just 3.9% (+368,408 TEUs). If we're just counting boxes leaving U.S. ports, that 9.0% gain in the value of U.S. merchandise

exports apparently came despite a much smaller growth in outbound loads. However, according to the Census Bureau, the declared value of the goods in those outbound containers increased by 9.6% over the first eleven months of 2017.

A First Glimpse at the January TEU Counts

The news out of San Pedro Bay was that the import surge engineered by tariff-averse retailers and manufacturers puttered out in January. After a December in which a wave of inbound loads crested 15.2% higher than in the final month of 2017, the Ports of Los Angeles and Long Beach saw their combined import trade slow to a trickle. Inbound loads at LA were up 1.7% (+7,091 TEUs), while Long Beach reported a 0.3% decline (-818 TEUs). Collectively, the two posted a slender 0.8% (+6,273 TEUs) gain in inbound loads over the same month a year earlier. Meanwhile, the Port of Oakland fared much better, with a 9.0% increase (+6,759 TEUs). That's right, Oakland's year-over-year increase in inbound loads bested the two megaports to the south.

Jock O'Connell's Commentary: Idle Thoughts for a Short Month

One February Sunday back in the late 1960s, the long-time *New York Times* columnist Russell Baker (who died last month) took issue with T.S. Eliot's claim that April is the cruelest month. No, insisted Baker, that status belongs to February. As I read his essay -- while staring out from my hillside dormitory at the eternally gloomy skies looming over a cold and damp Worcester, Massachusetts -- I couldn't help but agree. We should all be grateful that a month which begins with otherwise reasonable people in western Pennsylvania celebrating a weather-forecasting rodent, features a holiday contrived by struggling florists and greeting card companies, and ends every fourth year with the awkwardness known as Sadie Hawkins Day is so short. The only thing good about February is that spring training camps open to signal the rebirth of life.

So, in this February a half century along, what can I say?

For starters, happy new year! It's the Year of the Pig in Asia, and the Chinese are appropriately marking the occasion by assuring President Trump that they'll be resuming purchases of American soybeans. By sheer coincidence, though, Chinese hogs are being slaughtered in record numbers because of a swine flu epidemic and that does not bode well for us since soybeans in China are largely used in animal feed.

In the short run, resumption of the soybean trade to China should be good news for West Coast ports, especially smaller niche ports like Kalama, Longview, and Vancouver (the one in Washington State). During the annual soybean shipping season, which normally runs from October until March, those ports are largely given over to the China soybean export trade. The suspension of that trade has left them scrambling for alternate cargos.



Commentary *Continued*

Even though Chinese Vice Premier Liu He delighted President Trump during an Oval Office meeting late last month by informing him that China would be purchasing five million tons of U.S. soybeans, celebrations may be premature. Doubts are already creeping in about the Chinese commitment to import more American soybeans. Traders at the Chicago Board of Trade, where commodity futures and options are traded, were sounding a skeptical note last week after the cancellation of Chinese soybean purchase orders. (For those keeping score at home, China has a long and storied history of renegeing on promises made to trading partners. See, for example, the U.S. Trade Representative's 183-page report issued earlier this month describing China's alleged failures to abide by World Trade Organization rules in the years since the Asian power joined the WTO in 1991.)

The longer-term may bring a sadder story. In a forecast issued by the U.S. Department of Agriculture last week, U.S. soybean exports are not expected to match pre-tariff levels until 2016-17. It is also likely that, having been burned by the Chinese tariff (which was in retaliation for tariffs the White House imposed on Chinese goods), U.S. soybean farmers will try to diversify their overseas markets to minimize their exposure in the event of another China shock. This fall and winter, the buyers stepping in – perhaps opportunistically – to import U.S. soybean exports were largely in parts of the world not ideally served by ports in the Pacific Northwest. To be sure, while exports have risen modestly to Japan, South Korea, and Taiwan in recent months, the largest increases have come from new buyers in Europe, the Middle East, and curiously, Argentina. From the perspective of ports in the Pacific Northwest, these are not destinations you want to see playing a more dominant role in the overseas market for U.S. soybeans.

A Few Words on the Transatlantic Trade. Out here on the West Coast, we tend to obsess about the transpacific trade and especially about the USWC ports' steady loss of market share to other North American ports. By contrast, we hear very little about other major maritime trade routes. Like the transatlantic routes between Europe and the U.S.

For most of the nation's history, trade between Europe and the United States was pretty much the entire story of America's foreign commerce. As recently as 1970, just 18.4% of all U.S. containerized commercial trade (by tonnage) involved the Far East, while 62.1% was conducted with Europe and the Mediterranean. (The container trade was then not yet calibrated in TEUs.)

Things changed rapidly over the ensuing decade with the emergence of Japan, Taiwan, and Hong Kong as major U.S. trading partners. In its report for 1980, MARAD identified the Far East as "the leading area for containerized traffic." The 1,315,000 TEUs transported in the U.S. transpacific trade that year represented a 35.7% share of the entire U.S. container trade that year, displacing the U.S. trade with Europe and the Mediterranean. And while New York remained the leading U.S. container port with 750,000 total TEUs handled in 1980, the next four ports were all out here: Los Angeles (445,000 TEUs), Oakland (342,000 TEUs), Seattle (329,000 TEUs), and Long Beach (295,000 TEUs).

Certainly by 1980, the two San Pedro Bay ports were poised to overtake New York as the nation's largest container gateway. And they did so with great alacrity. By 1990, Los Angeles and Long Beach were handling nearly twice the volume of TEUs as the Port of New York/New Jersey, which actually was even handling fewer boxes than the Ports of Seattle and Tacoma, ports which would eventually become the Northwest Seaport Alliance.

By 2000, the San Pedro Bay ports were handling over three times as many TEUs as their main East Coast rival. In 2007, the last full year before the onset of the Great Recession, the amount of containerized tonnage crossing the Pacific dwarfed the volume across the Atlantic by a factor of 3.6 to 1.

Fast forward to the present. Through the first eleven months of 2018, containerized imports from the European Union amounted to 26.23 million metric tons. By comparison, containerized imports from East Asia through most of last year totaled 88.54 million metric tons.



Commentary *Continued*

Although other ports have invested mightily to build their container trades, just shy of a third of containerized imports from the EU still enters through the Port of New York/New Jersey, with Norfolk, Houston, Charleston, and Savannah rounding out the top five biggest import terminals for imported goods from the 28-member EU. Together, they account for nearly 70% of all containerized tonnage arriving at mainland U.S. ports from the EU.

The next largest recipient of EU containerized imports last year – in sixth place – was the San Pedro Bay maritime gateway, which accounted for 7.0% of inbound containerized tonnage from the EU. The share of the inbound container tonnage from the EU for all of the Big Five USWC ports was 11.9%. Considering that the three coastal states alone produced 18.3% of America’s Gross Domestic Product last year and other states in the West added another 8.7%, it would seem that the five major USWC ports are punching below their combined catchment area’s weight.

It’s probably worth noting here that the LA/LB share of the inbound transatlantic container trade through November of 2018 was much smaller – in tonnage terms – than the NY/NJ’s 12.4% share of the inbound transpacific container trade. It may also be worth pointing out that, while the San Pedro Bay ports had a 4.5% share of the declared value of containerized imports from the EU through all but the final month of 2018, the NY/NY ports held a 10.3% share of the value of U.S. containerized imports from East Asia.

Annual State of the Port events up and down the West Coast feature port officials extolling the growth seen over the preceding year with barely an acknowledgment of the fact that, while their collective share of the transpacific trade has been conspicuously lapsing, there has been no appreciable gain in the transatlantic trade. As Exhibit A suggests, the Big 5 USWC ports have not made a dent in the transatlantic import trade, while they have seen their share of the Far East import trade steadily diminish. One thing seems fairly obvious: Those hopeful arguments once voiced that the expanded Panama Canal would turn out to be a two-way street that might enable USWC ports to boost their share of containerized imports from the EU has proved a non-starter.

Exhibit A **Big 5 USWC Ports’ Share of Containerized Import Tonnage**

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

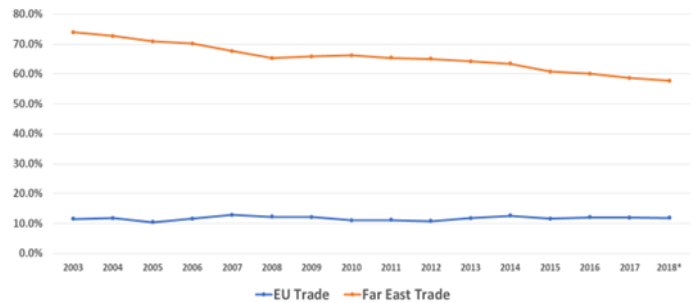


Exhibit B **Big 5 USWC Ports’ Share of Containerized Import Value**

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

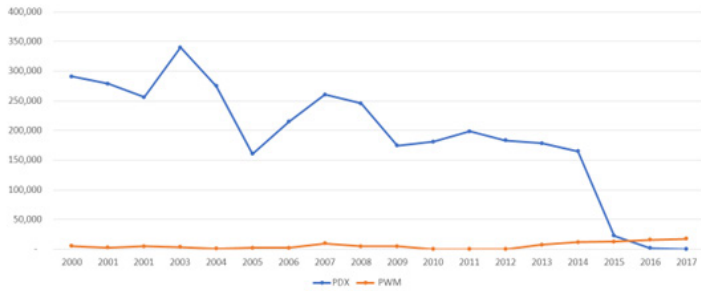


The Saga of the Portlands. Perhaps nothing is more emblematic of the travails of USWC ports than what’s become of the once thriving Port of Portland (the one in Oregon). Once upon a time, the Columbia River gateway merited inclusion on any list of U.S. West Coast container ports. While its box trade never came anywhere close to matching the USWC’s Big Five ports, it did process an average of 339,570 TEUs in the 1990s and 267,510 TEUs in the first decade of this century. Its peak, however, was back in that earlier era. Now it handles fewer containers than the other Port of Portland (the one in Maine).



Commentary Continued

Exhibit C Annual TEU Traffic at the Portlands: 2000-2018
Source: MARAD, Port of Portland (Oregon), Maine Port Authority



PDX (I'll use the airport code) saw its container trade crest in 2003, when it handled 339,571 TEUs. Things kind of went downhill after that, done in by a disastrous labor-management dispute, the advent of larger ships, and changes in the types of goods it traded. Meanwhile,

PWM (stands for Portland-Westbrook-Maine) has seen a minor fillip of business from Eimskip, the Icelandic shipping line which made PWM its U.S. headquarters in 2013. By contrast, PDX has not seen scheduled container vessel service 2015. That's when Hanjin Shipping pulled out of PDX, taking about 80% of the container business at Terminal 6. The port's other major container partner, Hapag-Lloyd, departed later that year. A small carrier, Westwood Shipping Lines, kept up intermittent service for a while but it too finally dropped out, leaving PDX with ample room for growth. In 2018, PDX handled all of 1,104 TEUs, while PWM moved 22,325 TEUs.

Still, while the numbers of the respective Portlands may be momentarily meager, you can at least be assured of dining exceptionally well in either town.

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

California's Ports – A Hidden Success Story

By John McLaurin
President, Pacific Merchant Shipping Association

California's eleven public ports are one of the state's most important and vital assets. Collectively, California's ports form the largest gateway of trade for the United States. The question policy-makers need to answer is whether they want to build on the success and create more jobs, expand logistics operations in California, and recapture California's dominant market share of goods moving through California ports.

Whether it is containers filled with consumer products destined for retailers all over the state, automobiles which will fill the roads, aggregate that is used to make concrete, agricultural products of all types literally feeding the world, or even scrap metal, plastics and paper headed overseas only to be recycled into more products, cars and packaging – all flow through California's ports.

According to the California Association of Port Authorities, one-third of the state's economy is impacted by goods that move through California's ports. Five million jobs, seven hundred billion in revenue and nine billion in annual state tax revenue come from our homegrown ports.

From an environmental standpoint, you would be hard pressed to identify an industry that has reduced emission in as large amounts and in as short a period of time as those involved in port activities. The nation's cleanest trucks, ships, tugs and trains work in and around our ports. For example, the San Pedro Bay ports have reduced emissions of diesel particulate matter approximately 88% and SOx by 90% between 2005 and 2017.



California's Ports *Continued*

Port tenants are utilizing zero and near-zero emission equipment to move cargo by experimenting with electricity, batteries, LNG and hydrogen fuel cells. Advances in emission reduction technology are occurring in a competitive setting that demands performance, not promise.

The risk to California is that these efforts are occurring in a hyper-competitive environment without much support and often with confusing and contradictory policy objectives from the state.

California regulators and the Legislature may dictate an emission reduction strategy, but then restrict the type of equipment or technology that can be utilized or receive public funding. Or even worse, regulators are picking technology winners and losers in an effort to roll out advanced technologies before the technologies have been proven in the field. Taken together, the state is imposing billions of dollars in regulatory based costs, but

not counterbalancing it by promoting California ports as a gateway – simply hoping that other states and ports will ultimately impose similar policies.

It is a faith-based strategy coupled with the popular political realities of the day, as opposed to one based on leadership and a solid plan for building on our success.

Despite these challenges, California's ports continue to grow – albeit slower than other North America port gateways. They continue to lose market share to their East, Gulf, Canadian and Mexican competitors, and with it, a loss of job opportunities and tax revenue for the state.

California's ports should be recognized for their importance to the economy and for their environmental investments, innovation and results. But it is time for the state to step up and be an active partner in the growth and development of our ports, instead of taking them for granted.

Interested in membership in PMSA?

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

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January Dwell Time Numbers Are Up

