



PORT OF OAKLAND
SEAPORT

MAY 2020

MARITIME e-NEWS

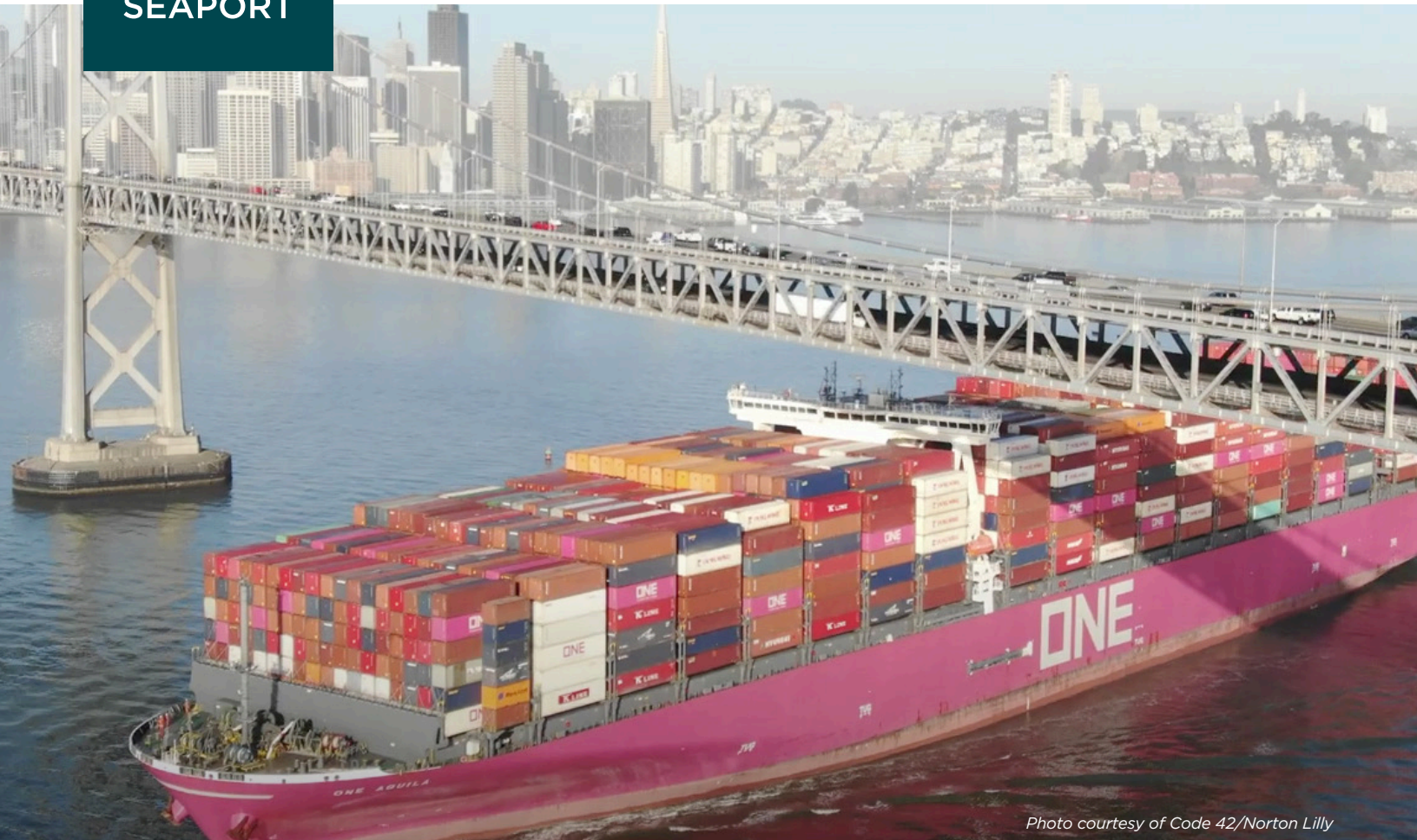


Photo courtesy of Code 42/Norton Lilly

Status update

Declining volume, another megaship and continued export strength: that's what the Port of Oakland expects this spring. The Port delivered a second quarter 2020 status report this month to its 3-year-old Efficiency Task Force. The global coronavirus pandemic loomed larger over the Zoom conference of 50 U.S. supply chain leaders. Here's what they heard:

Cargo volume: A 5-to-15 percent volume decline is expected this spring in Oakland. That's based on cancellation of 11 percent of the scheduled Oakland vessel arrivals for May and June. Economic fallout from the coronavirus has prompted ocean carriers to cut back on sailings worldwide, the Port said.

Exports: Despite the shipping industry's woes, Oakland export volume increased more than three percent last month. The Port said that trend is likely to continue. Top export commodities in 2020: vehicles, proteins (chiefly meat), cereal, paper and scrap metal. Empty container shipments from Oakland declined 29 percent last month. That has raised some concern among exporters worried about finding sufficient equipment to load their shipments.

Refrigerated exports: Oakland shippers said there's been little impact on volume from meat processing plant shutdowns due

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Port of Oakland gets new service to Asia, includes Saudi Arabia

Eighteen megaships call weekly, first-ever direct link to Middle East

A sprawling vessel service began this month with 18 megaships linking the Port of Oakland to Asia, including Saudi Arabia. A highlight of the new service: the first-ever direct link between Oakland and the Middle East.

Japan's ONE line operates the new weekly service called the Far East-Pacific 2. The first ship in the service, the ONE Aquila, arrived at Oakland International Container Terminal May 7.

Each of the ships in the service has capacity to carry 14,000 20-foot containers. That places them among the largest container vessels calling at U.S. ports.

"Naturally we're encouraged by this development," said Port of Oakland Acting Maritime Director Delphine Prévost. "The size of the ships means extra cargo capacity coming to Oakland and the Port rotation extends Oakland's reach in global markets."

The service reaches nine ports in Singapore, Thailand, Vietnam, Japan, Hong Kong, China, the U.S. and Saudi Arabia. Stops at Saudi Arabia's Jeddah port would be Oakland's first

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to coronavirus. Exporters said disruption at production facilities is expected to be temporary. Oakland is a leading U.S. shipper of chilled and frozen meat products overseas.

Asian markets: Oakland trade with China is down nearly 10 percent so far in 2020, the Port reported. Conversely, trade with Vietnam is up 30 percent, and nearly as much in other Southeast Asian markets. The concern: as U.S. imports from Southeast Asia increase, Suez Canal services to the East Coast grow. That could reduce the market share of West Coast ports. "We need to up our game in Oakland...be even easier to do business with," one Oakland official said.

Tariff No. 2-A: The Port is planning various changes to Tariff No. 2-A effective July 1, 2020, including an increase to rates for use of the Port-owned and operated truck parking/container depot, to better align with comparable rates as land uses change and demand is growing for land within the Oakland Seaport. The Board of Port Commissioners is scheduled to consider Tariff 2-A changes at its May 28, 2020 Board meeting.

Megaships: Last month, MSC sent one of its 19,000-TEU megaships to the Port of Oakland. According to reports, another vessel of that size is due at Oakland in June. The Port continues to demonstrate that it can handle the world's largest container ships without incident.

Night gates: The use of night gates by freight-hauling truckers is growing at the Port's TraPac marine terminal. About 450 driver transactions take place every night shift, the terminal reported. That's up from about 170 a year ago. Oakland International Container Terminal reports about 1,400 transactions per night.

Labor: The waterfront labor supply is sufficient and requests for dockworkers are being filled routinely, according to labor and management officials.

Equipment: Chassis supplies are plentiful, leasing companies report. A temporary shortage of 20-foot containers has been alleviated, the Port said. However, fewer empty containers are being returned through Oakland. That could lead to shortages in the future.

Shore power update

Ships regulated by clean-air rules plug into land-side power 83 percent of the time at the Port of Oakland. Those that don't... can't. That's the Port's update this month on shore power usage by container vessel operators.

The Port said that in the first quarter of 2020, most ships in Oakland met California shore power requirements. The primary reason for ships not plugging in is because they're not equipped for shore power, the Port said.



California's Air Resources Board mandates that 80 percent of a carrier's fleet plug into land-side power at Port (based on a fleet-wide average of hours at berth). By using electricity from the grid to power onboard systems, ships can switch off exhaust-generating diesel engines.

The Port said 76 percent of all ships calling Oakland in 2019 successfully drew power from the grid. The plug-in rate for vessels subject to state regulations was 84 percent. Many ships were exempt from the rule, either because they're steam-powered or they don't call frequently enough to be regulated.

The Port maintains detailed shore power usage records and publishes monthly snapshots on its website here: <https://www.oaklandseaport.com/development-programs/shore-power/>.

Acting Maritime Director named

Veteran Port of Oakland manager Delphine Prévost has been named Acting Maritime Director. She replaces Maritime Director John Driscoll who departs this month to head up the Alabama State Port Authority.

Ms. Prévost had been the Manager of Administration and Finance Services in the Maritime Division. She has been with the Port for 18 years.

In her previous role, Ms. Prévost engaged in lease negotiations, rate setting and planning and budgetary performance for the Maritime Division. She'll now have overall responsibility for the Division until a new Director is selected.

The Port said a nationwide search is underway for a new Maritime Director. The recruitment is moving quickly and the Port hopes to make an announcement very soon.



Delphine Prévost

Port of Oakland names new Business Development Manager

Twenty-year maritime vet heads Marketing, Customer Relations

The Port of Oakland announced 20-year maritime and logistics industry veteran Andrew Hwang as its Manager of Maritime Business Development and International Marketing. Mr. Hwang will lead a team of five responsible for the Seaport's Marketing, Business Development and Customer Relations functions.

Mr. Hwang joins the Port from Hyundai Merchant Marine where he managed import and export sales for its Pacific Southwest and Gulf region. Prior to that he worked with APL, Sea-land, CSX and EVA Air.

Mr. Hwang graduated from the University of Michigan with degrees in Economics and Marketing Communications, and has an MBA from University of California at Irvine. The Port said he will drive the effort to retain maritime customers during the coronavirus pandemic and attract new business to increase cargo volume over the next decade.

"Despite uncertainty with the global pandemic, I'll be looking ahead as to how we can stabilize and then grow our business," said Mr. Hwang. "We have to innovate to keep and attract cargo flowing through the Oakland Seaport."

The Port handled approximately \$87.3 billion worth of trade in 2019. It's the third-largest U.S. gateway in California for containerized goods.



Andrew Hwang



Port of Oakland to state agency: help us cope with COVID-19

'We've stepped up, now we need to adapt, stabilize finances'



Danny Wan
Executive Director

Port of Oakland Executive Director Danny Wan praised his agency's coronavirus response but issued a plea for help. The Port's top official asked a key state regulator to support financial stabilization efforts as the pandemic cripples businesses.

"The Port of Oakland is operational in these unprecedented, challenging times and has stepped up for the state's emergency response," Mr. Wan told the State Lands Commission at its virtual meeting on April 30. "But we will need to adapt our business model to new realities and ask the Commission to continue to work with us to find creative, workable solutions to stabilize our finances."

The Executive Director joined a video conference to address Commissioners assessing the impacts of COVID-19 in California. The Commission regulates the use of land entrusted to the Port more than 90 years ago under the State Tidelands Trust.

Mr. Wan highlighted the Port's official role as critical community infrastructure during the coronavirus pandemic. He pointed to three specific contributions:

- Continuing operations at Oakland International Airport even though passenger traffic has declined 95 percent;
- Full operations at the Port of Oakland Seaport, though total cargo volume dropped 11 percent in March;
- Berthing the cruise ship Grand Princess in March to discharge passengers, some with COVID-19.

"Our staff, tenants and customers have been at the forefront of the COVID-19 crisis from the outset," Mr. Wan said.

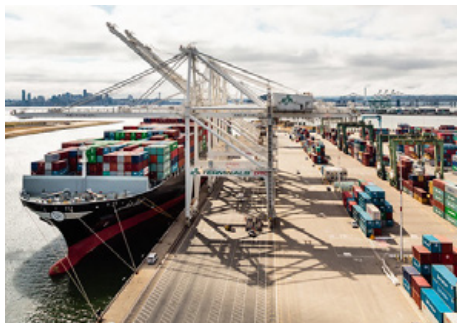
"While our staff resources have been strained to their full limits and beyond, we are all completely dedicated to providing essential governmental functions and essential business services on behalf of our first responders and residents."

Mr. Wan told Commissioners that the Port has concentrated on the health and safety of staff and customers. Now it's coming to grips with a severe revenue shortfall. The Port doesn't receive tax revenue, the Executive Director pointed out. With Airport and Seaport income falling, the Port expects to report steep financial losses in fiscal year 2021.

The Port has stopped discretionary spending and suspended hiring and travel, Mr. Wan said. "We can no longer expect any semblance of business as usual in our operations," the Executive Director declared.

Mr. Wan said the Port is seeking assistance from government relief programs. He asked the Commission to advocate for those efforts.

"We're confident in our ability to be resilient amidst the crisis," Mr. Wan said. "We ask that you partner with us in a manner that is consistent both with this new reality and with the principles set forth with the Tidelands Trust."



Three cruise ships lay up at the Port of Oakland

Vessels not exposed to coronavirus

Three passenger vessels are docked at the Port of Oakland with only crew and no passengers while the U.S. embargoes cruise operations. The Port has not received reports of any cases of coronavirus associated with the vessels.



According to the Port, two Norwegian Cruise Line vessels are tied up at Oakland's Outer Harbor Terminal. Another is docked at Howard Terminal on the Oakland Estuary. The ships could remain at berth for 2-to-3 months, according to the cruise line.

The Port said it is making berth space available because approximately 100 cruise ships worldwide are seeking safe harbor. An estimated 80,000 crew members are stranded on passenger liners seeking a place to tie up. Other U.S. ports, for example some in Florida and Virginia, are also docking cruise ships.

"We're a container port, but we're still in the shipping business," said Port of Oakland Executive Director Danny Wan. "There have been no reports of COVID-19 aboard any of the three vessels, so we'll do what we can to help."

The Port said the ships are tied up at berths not currently used for container ship operations. The Coast Guard and Norwegian Cruise lines have no reported cases of coronavirus aboard the vessels.

The cruise operator said the ships are managed by small crews. Crew members will not disembark while berthed in Oakland, the Port said. No passengers were on board when the ships arrived nor would the vessels conduct passenger

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New Service, from page 1

direct connection to the Middle East. Until now, ships from the Arab world transferred Oakland-bound cargo to other vessels at intermediate ports.

Two services already calling Oakland were consolidated by ONE into the Far East-Pacific 2. For that reason, the Port declined to project the impact of the new service on cargo volume. The Port said that larger ships could result in more Oakland freight over time.

Adding new port calls such as Jeddah could help as well, the Port added.

The Port expects cargo mix on the new service to be evenly

divided between imports and exports. California farm goods exported to overseas markets should be a prominent part of the mix.

The Far East-Pacific 2 eastbound port rotation: Jeddah, Saudi Arabia; Singapore; Laem Chabang, Thailand; Cai Mep, Vietnam; Hong Kong; Yantian, China; Long Beach; and Oakland.

The Far East-Pacific 2 westbound port rotation: Oakland; Yokohama, Japan; Hong Kong; Laem Chabang, Thailand; Cai Mep, Vietnam; Singapore; before heading to Rotterdam, Hamburg, Antwerp and Southampton on the European portion of its rotation.

Port of Oakland loaded box volume edged up last month

Exports remain strong, but cargo decline likely in May/June with fewer ship visits

Port of Oakland loaded container volume edged up last month but a likely downturn is ahead. That was the message Port officials delivered this month as the coronavirus pandemic pressured global trade.

The Port reported that April loaded container volume increased 1.4 percent compared to the same month last year. Export cargo volume rose 3.6 percent, while imports dipped 0.9 percent.

“Our April cargo performance was better than expected, but it was most likely a blip resulting from the release of pent-up demand when factories re-opened in China after being quarantined,” explained outgoing Port of Oakland Maritime Director John Driscoll. “We’re faring better than some other ports, but our forecast in the coming months is for an overall decline in volume throughput.”

The outlook in coming months is for reduced cargo volume because 11 percent of scheduled Oakland vessel calls in May and June have been canceled by shipping lines. Ocean carriers worldwide are scrubbing voyages due to dwindling demand by shippers for vessel space. The Port told freight haulers during a video conference that 20 May and June voyages to Oakland have been scrubbed. The result could be a 5-to-15 percent drop in containerized cargo volume heading into summer. With consumer spending down during the pandemic, there’s less merchandise to load onto ships.

“It’s a clouded picture,” said Port of Oakland Business Development Manager Andrew Hwang. “About 11 percent of our scheduled vessel arrivals have been canceled by shipping lines, but we don’t know if that will translate into a similar drop in volume.”

The Port said exports leaving Oakland for overseas markets continue to be a bright spot midst the pandemic. Export volume has increased year-over-year in three of the past four months, according to Port data. The Port said export growth in Southeast Asian markets has offset shrinking trade with China. It said Asian demand is strongest for U.S. farm goods.

The Port said its total cargo volume – imports, exports and empty container shipments – declined 6.5 percent in April. It attributed the decline to a 29 percent drop in shipments of empty containers back to origin destinations.

The Port cautioned, however, that the coronavirus pandemic could permanently alter container transportation practices. Shipping lines may consolidate more cargo on bigger ships while reducing the frequency of voyages. Supply chains could be altered, too, the Port said. For example, the online purchasing explosion prompted by shelter-in-place orders may hasten distribution center reconfiguration or consolidation. Distribution hubs could be relocated to more central locations to serve population centers from fewer outlets.

“We’ll be facing a new normal,” said Mr. Hwang. “Distribution patterns will change...it won’t be like it was.”



Cruise ships, from page 3

operations while in Oakland, the cruise line said. The U.S. government has banned cruise operations at U.S. ports during the coronavirus pandemic. Most cruise lines globally have suspended operations.

Oakland doesn’t serve passenger liners, but in March, it provided an emergency berth to the cruise ship Grand Princess. Hundreds of passengers disembarked from that ship, some who tested positive for COVID-19.

Numerous cruise ships globally have reported exposure to coronavirus. The Port re-emphasized, however, that it has not received any reports of coronavirus cases among passengers or crews on the Oakland-bound ships.

The Port said it regularly provides berth space to cargo ships in long-term lay-ups. The ships are located at sites not actively used for vessel operations, the Port added.

Another big ship coming

Last month, MSC sent one of its 19,000+ TEU megaships to the Port of Oakland. Another similar-sized containership is expected to call at Oakland in June. The Port continues to show customers around the world it can accommodate some of the largest vessels with its deep harbor, taller cranes and skilled workforce.



MSC Anna arriving at Oakland in April

Drone footage of ship in turning basin

Centerline Logistics tugs are seen assisting Hapag-Lloyd’s container ship, OAKLAND EXPRESS, as they deliver imported goods to the Port of Oakland in this time-lapse drone footage captured by Scott Racette. See it on Facebook at Centerline Logistics: <https://www.facebook.com/1573440029/posts/10220250846732686/>.

