



**PORT OF OAKLAND  
SEAPORT**

MID YEAR REPORT, JUNE 2016

# MARITIME e-NEWS



## Port of Oakland Mid-Year Report

By Chris Lytle, Executive Director, Port of Oakland

We're halfway through a year of significant change at the Port of Oakland. Seems like a good time to take stock, look at what we've done and what comes next. Most importantly, it's time to explain how all of this benefits you—the Port's customers.



Here's the year-to-date in shorthand: consolidation, transformation collaboration. In the second quarter of 2016, the Port of Oakland consolidated five marine terminals into four. Transformation began even before that as we created a new operating model. Collaboration made it happen. From longshore labor to shippers and motor carriers, everyone helped create the new Port of Oakland. It couldn't happen any other way. Global trade is an interdependent discipline. All hands are required on deck if we're to be successful.

Cargo owners may not be wholly satisfied with us, yet, but they're once again entrusting their cargo to us. Volumes are up through May, most notably in our sweet spot: exports. It's too soon to make

definitive statements about the Port's progress. There's more work to be done, especially in the area of operating efficiency. And the second-half trade outlook remains uncertain. But this we guarantee: business will grow in Oakland; we'll be ready for it.

We've got a long way to go in 2016. Our cargo handling performance isn't where we—or more importantly, you—want it to be. But we've got our blueprint for success in place. And for the first time, we're measuring our progress. Before year-end we'll see positive effects from this work.

Long-term the picture is even brighter. New projects envisioned to spur cargo growth are already underway or are about to start construction. These include the Port's own rail yard, a Seaport Logistics Complex and a massive new cold-storage facility. What gives me the most confidence is our market. The Bay Area is booming. Central Valley growers are poised for better harvests now that the drought has eased a bit. The Reno-Sparks area has become an attractive center of manufacturing and distribution.

The Port of Oakland is at the heart of all of this. Commerce, jobs—an entire region's economy depends on us doing our job well. We're not firing on all cylinders yet. But as you'll see on these pages—we're getting there.

## A New Way Forward with Consolidation

The logistics of terminal consolidation at the Port of Oakland are behind us. Outer Harbor Terminal has closed. Cargo and ships have been relocated to adjacent terminals. No business was lost in the transition.

The economics of consolidation are still playing out. Excess capacity has evaporated. Volume has increased. The upshot? Operators now see a way forward. With supply and demand balanced, they can be profitable if they hold on to their business.

What's in it for customers? In the long-term, better service. Terminals are investing. They're expanding footprints, adding labor, purchasing equipment. It'll take time for this to be felt in the field by shippers. But here's the message: terminal operators are making long-term commitments to Oakland.

Outer Harbor Terminal is vacant. This isn't bad news, even though there's a temporary hole where rent payments used to be. We're already negotiating to lease out two of its vessel berths. Prospective tenants are lining up to take short-term positions for other parcels. The Port is earmarking a sizeable portion for truck parking. This gives us time to study the best long-term use of the terminal. One thing's for certain: we won't simply recreate what we had. Outer Harbor Terminal affords us room to expand container operations as volumes rise, but we don't want to rush excess capacity back into the game. That would undermine the advantages of consolidation.



## Transforming to Improve Service

It's not your father's Port of Oakland, any more.

From operating hours to cargo handling processes, we've changed. Increased volume, bigger ships and customer cost-pressures necessitated a new way of doing business. It didn't happen in a vacuum. Stakeholders told us loud and clear what they expect from the Port: reliable, fluid cargo handling. Everything we've implemented since then is geared to that objective. Here's how it's going:

**OPERATING HOURS** No more Monday-through-Friday, 8-to-5 in Oakland. Gates are now open six days and four nights a week at our busiest terminal—Oakland International Container Terminal (OICT). A \$1.5 million fund from the Port has helped finance extended hours. The fund expires this month. After that the terminal operator will switch to Monday-through-Thursday night gates. These will be full gates that include pick-ups from import delivery lanes. How are extended hours working out? We're nearing 1,000 gate moves a night. That's a good start but it's not enough. We need greater participation to make extended-hours successful.

**VESSEL OPERATIONS** Despite consolidation, vessels are moving in and out of Oakland on schedule. Longshore labor has contributed by working ships faster than any other West Coast port: often 30-to-40 moves per hour. Agreements between terminals allow for occasional berth sharing when there's extraordinary demand.

**MEGASHIPS** Oakland is the only U.S. port to receive three vessel calls from the 18,000-TEU CMA CGM Benjamin Franklin in 2016. All were on time: coming and going. We'll soon embark on a \$14 million program to raise the height of four more

ship-to-shore cranes. That means we'll be ready to handle the Franklin and more like her when they commence regular service.

**TERMINAL ACCESS** Motor carriers are concerned about getting in and out of Port quickly. We get it. So do Oakland terminal operators. TraPac terminal has opened an additional gate to improve access. Everports has rebuilt gates and introduced a new operating system. OICT has added marine clerks at its gates. It has also opened a nearby yard exclusively for empty container pick-up and delivery. This started slowly with only three participating shipping lines. It has now grown to 10 and we expect more soon.

**IMPORT DELIVERIES** How do we get imports out of the yard and quickly delivered? That's the biggest challenge facing West Coast ports. The Oakland answer: fewer transactions from import delivery lanes. There's nothing less efficient than a rubber tired gantry crane rummaging through stacks of containers for a box. Here's what we're doing instead: 1) peel-off programs where a shipper's imports are block-stowed in the terminal; 2) dray-offs at night to a nearby location where imports are wheeled and ready for pick-up 24/7.

**APPOINTMENTS** Oakland International Container Terminal has instituted an appointment system this month. Appointments will be required for pick-ups in import delivery lanes. This way truckers are assured that once they've reached the Port, they'll get to complete their transactions.

**METRICS** Gate queues are too long; turn-times are too slow. We've all heard that before. But no one has ever quan-

tified the complaint with precision. Now the Port has technology to accurately measure just how long transactions take in Oakland. Last month we rolled out DrayQ, the mobile app that calculates gate waits and turn-times. Drivers, dispatchers and cargo owners are using it to plan their schedules. Terminal operators can use it to pinpoint crunch times and adjust their operations accordingly. This is an industry first: performance metrics in the palm of your hand.

**TURN-TIMES, WAIT TIMES** These are at the heart of operating performance at marine terminals. Customers and the motor carriers serving them don't want to be stranded in lines. They don't want delays delivering or picking up loads. How is the Port of Oakland doing on this score? Not well enough. But we're getting better and will continue to improve. Based on initial data from DrayQ, transactions are taking anywhere from 30 minutes to two hours. Wait times peak between 8 and 9 a.m. then moderate. They rise again after lunch breaks. How do we cut down wait time? By taking advantage of new performance enhancement measures. Appointments, extended hours, peel-offs, dray-offs: if we maximize the use of these features, weekday gate crowding will diminish.

**WHEN DOES IT GET BETTER?** Customers want immediate improvement in terminal performance. We do, too. But remember, this massive transformation only began in the first quarter of 2016. Turn-times have come down and gate queues are shrinking. Just not fast enough. We look for rapid improvement in coming months as transformation takes hold.



## Collaboration is Driving Transformation

Other than DrayQ, most of the Port's performance enhancements aren't new. We're not afraid to replicate what works. But here's what is new: we're enlisting the help of stakeholders as we transform. Logical groupings—labor/management; motor carriers/terminal operators; shippers/carriers—come together for discussions that inform our decisions. They talk, we listen; then together we identify potential efficiency improvements. Here are some prime examples:



Waterfront employers have collaborated with the longshore union to address labor shortages in Oakland. They added more than 150 dockworkers last summer. More recently, they deployed additional marine clerks at terminal gates. No one's singing Kumbaya, just yet. Labor and management still operate in an atmosphere of dynamic tension. But productivity is high, staffing is adequate and disruptions have been few and far between.



Longshore leadership has participated in discussions with major Oakland shippers. Each side got new perspectives on the challenges of operating an efficient supply chain. More importantly, each learned how important the other was to their success.



Perhaps the most important step we've taken in transforming the Port of Oakland is creating our Efficiency Task Force. This group of 35 or so industry leaders covers the waterfront. It includes shippers, carriers, terminal operators, longshore labor, motor carriers, U.S. Customs and chassis providers. When we hatch plans to change, these people are in the room with us. This is more than a forum. It's a skunk works. Ideas are born here. They become the performance innovations that are moving us forward.



## Port of Oakland Reaching Out to Customers

By John Driscoll, Maritime Director, Port of Oakland

Peak shipping season is nearing. That means Port of Oakland customers will watch closely to see if we can handle an expected seasonal cargo surge. How do we know this? Because they've told us so....again and again.



The Port's Maritime Division has been on the road for much of this year. We've spoken to nearly 600 shippers in 25 states. We've met with 17 container carriers here and overseas. Their message: The Port's efforts to transform itself this year are encouraging. However, customers are impatient to see change translated into better performance. That means they'll be keeping a close eye on us as peak season arrives in late summer. We owe it to them to deliver.

As you've read in this mid-year report, everything's changing at the Port of Oakland. But it's not happening by chance. Transformation has been a collaboration with our stakeholders. Everyone from cargo owners to motor carriers has weighed in on how and why we should change. Our objective is to improve performance in areas that benefit them the most.

Here's what they've told us they want:

- Improved gate times and transaction times at marine terminals;
- Expanded dray-off program for import pick-ups;
- Full operations at night, including import delivery lane pick-ups;
- Extended hours as the new normal—not a temporary Band-Aid;
- Regular performance reports taken from the Port's new turn-time metrics app;
- **FASTER CARGO FLOW—NOW!**

So where are we on this list? Well under way but not yet where we need to be. Turn-times still aren't satisfactory in peak periods but our operational transformation will overcome the problem. Dray-off expansion is hampered by limited space but we're freeing up land to grow. Full night operations are coming this month; but we need cargo owners and motor carriers to show up in greater numbers. As for cargo velocity: it needs to improve. We're confident it will.

The Port of Oakland has spent 2016 changing to accelerate the pace of trade. The scope and breadth of this transformation is unprecedented. We know it won't earn us any medals yet. The payoff is for results, not effort. But we hope you'll share the belief that these improvements—inspired by customers—will soon make a difference.

## Night Gates Extended

Port of Oakland night gates appear here to stay. Oakland's largest marine said this month it will continue night operations even after a Port subsidy expires in June. What's more, Oakland International Container Terminal said it will offer full—not partial—operations at night.

The decision means thousands of harbor truckers can continue moving Oakland cargo outside busier daytime hours. With full operations, they'll be able to drive off loaded import containers at night for the first time. Import pick-ups, the most time-consuming and labor-intensive terminal activity, had been restricted to dayside operations.

"Thousands of cargo transactions have migrated to nighttime thanks to Oakland International Container Terminal," said Port of Oakland Maritime Director John Driscoll. "It's imperative that we continue with extended hours to expand the workday and improve cargo flow."

The terminal said it will open night gates to harbor drivers Monday-through Thursday. It introduced night gates two months ago, aided by a \$1.5 million Port of Oakland subsidy program.

The terminal said it will assess a \$30 flat-fee on all loaded import and export containers once the subsidy ends. The fee will finance the cost of night operations—principally additional labor, the terminal said. The amount will remain constant regardless of the size of the container. It will be levied on both day and night container moves. The terminal said that it will review the night-gate program—including fees—after 90 days.

"No one likes fees," said Mr. Driscoll. "But we think there's tremendous value in easing daytime crowding and in offering full service at night when drivers can get in and out of Port quickly."

The Port said night gates are the most effective antidote to daytime terminal crowding caused by growing cargo volume. The Port explained that expanded night operations may lead motor carriers to eliminate surcharges assessed for waiting at terminals. Those fees are levied on cargo owners but could become outmoded if night gates continue to speed up operations.



## Appointment System Introduced

Picking up an import load at the Port of Oakland's largest marine terminal? You'll likely need an appointment.

Oakland International Container Terminal (OICT) began making appointments mandatory for most containerized import pick-ups June 6. It means harbor truckers usually won't be able to drive off loaded boxes without a reservation. The terminal said its goal is to shorten lines at terminal gates while speeding up cargo delivery to customers.

"We applaud this move," said Port of Oakland Maritime Director John Driscoll. "This is the largest marine terminal in Oakland and they're taking all possible steps to improve trade flow."

The terminal said it will require appointments for drivers picking up containers from import delivery lanes. These are rows of containers discharged from ships and stacked five-high to await collection. The boxes are lifted from stacks and loaded on trucks by rubber-tired gantry cranes. The process is the most time consuming at ocean shipping terminals.

Mandatory import reservations will be an extension of the terminal's existing appointment system, OICT said. Appointments to enter terminal gates are already available, it explained.

OICT said appointments will eliminate long lines of drivers waiting for imports on a first-come, first-serve basis. The terminal handles 67 percent of the containerized cargo shipped through Oakland. It releases about 1,000 import loads daily.

The terminal said it won't require appointments for other transactions such as empty container return. It added that appointments won't be required for three unique types of import pick-ups:

- Peel-offs, which enable drivers to take the first container from a stack of imports all intended for the same customer;
- Dray-offs, which are imports transported to a nearby facility and available for pick-up around the clock; and
- Pre-mounted loads, which are import containers affixed to chassis and ready for immediate hauling over the road.

Appointments are the most recent effort to improve cargo flow at the Port of Oakland. Two months ago, OICT began operating night and Saturday gates.

Since then it has added staff, purchased additional cargo-handling equipment and opened a new yard exclusively for empty containers.

## Terminals to Provide Container Weights

Reprinted from the Oakland Marine Terminal Operator Agreement

The Oakland MTO Agreement (OAKMTOA) has provided an update on how the three member terminals at the Port of Oakland will address the new verified gross mass (VGM) guidelines scheduled to go into effect on July 1.

The guidelines, which are amendments to the International Convention for the Safety of Life at Sea (SOLAS), require shippers to notify ocean carriers of the weight of containers before they are loaded onto a ship.

All three member terminals already weigh trucks arriving with containers, to meet safety requirements of the Occupational Safety and Health Administration (OSHA) under 29 CFR.

The terminals recognize that the U.S. Coast Guard will be enforcing the regulation with the ocean carriers. The terminals have notified the U.S. Coast Guard and the ocean carriers that they will continue providing OSHA weights to the ocean carriers, which they can use at their discretion. The terminals are ready to safely load the containers when instructed by the ocean carriers.

Individual member terminals will establish and communicate their own policies for receiving containers without a VGM.

The Oakland MTO Agreement is filed with the Federal Maritime Commission, and comprises the three marine terminal operators serving the Port of Oakland.

## DrayQ Goes Live

A groundbreaking mobile phone app developed at the Port of Oakland to aid harbor truckers is now live. The Port's [DrayQ](#) feature is available at Apple and Google app stores with no charge. The app tells drivers how long they'll wait to enter marine terminal gates and how long transactions are taking.

"There's no more guesswork for truckers picking up or delivering cargo in Oakland," said Port Maritime Director John Driscoll. "Now they can plan their days with real-time information."

DrayQ displays how long it takes to enter terminal gates. It also calculates how long drivers must wait to complete transactions. The times appear on mobile phone screens much like freeway drive-time signboards.

The Port said its new technology could fundamentally change seaport operations in two ways:

- For the first time, truckers and dispatchers have a precise measure of how long a terminal transaction takes. If it's too long, drivers can plan around slow periods.
- Cargo owners and terminal operators now have accurate data to determine if containerized shipments are being efficiently processed. If they're not, the data can help pinpoint where operational changes are needed.

DrayQ was developed for the Port by Reston, VA-based Leidos. It relies on Bluetooth, GPS and WiFi technology to measure truckers' progress through the Port. Automated DrayQ readers anonymously track every truck in the Port whose driver carries a cell phone.

More than 1,100 harbor drivers and cargo owners downloaded DrayQ during its first week of availability. Leidos officials hope to have 3,000 drivers download it by the end of June.



## Customer Profile: Sun-Maid

Sun-Maid's California raisins and dried fruits have been feeding American families and the world since 1912. John Slinkard, Sun-Maid's Senior Vice President of Supply Chain and Sales Administration (domestic and international), said the company began exporting its products right from the start. In Sun-Maid's earliest days the goods moved through the Port of San Francisco. "Today 97 percent of everything Sun-Maid exports goes through the Port of Oakland," said Slinkard.

Sun-Maid ships peaches, apricots, figs, prunes, dried apples, blueberries and more, but raisins still dominate the majority of its shipments. Mr. Slinkard has been with Sun-Maid for 37 years. He says the fruit is sustainably grown and dried in the fields. One-third of the total volume of Sun-Maid products is exports destined for Europe and Asia, Sun-Maid's two largest export markets. Europe is a mixture of bulk and retail packages, while Asia is

mainly a bulk market for Sun-Maid. Dried fruit was not common in Asia until after WWII when it was introduced as a luxury food item. Today, Mr. Slinkard said, it's considered a staple as it is in the U.S.

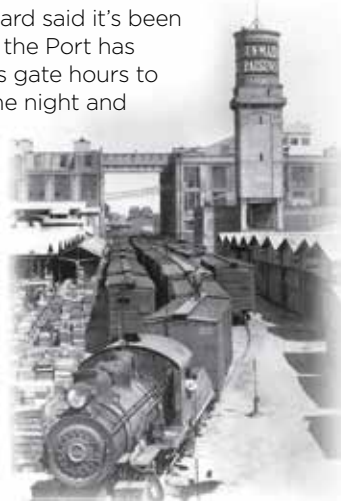
Sun-Maid ships to 50 countries. "Port of Oakland is a much better choice for us (than other ports) as we ship thousands of containers annually through Oakland," Mr. Slinkard said. "There's the proximity (of the Central Valley) to Oakland; you don't have the hassle of Southern California urbanization that you have to pass through; and there's no grapevine mountain pass for trucks to cross. Although traffic here is no walk in the park, it's better than Southern California traffic."

Mr. Slinkard said it's been helpful that the Port has extended its gate hours to include some night and



weekend gates, "Drivers are able to bring boxes in during non-commute hours; it's tough enough to turn boxes without fighting commuter traffic."

The fruit crops come to fruition at the same time. They'll be harvested at the end of summer. The grapes become raisins in the field; they're cleaned; and then a little moisture is added so they can be sold throughout the year. The fruit is packaged in the Central Valley (Kingsburg, CA) and can get to a warehouse overseas in just a couple of weeks, arriving fresh at the destination.



## May Export Volume Biggest since 2014

It's official: a containerized export rally is underway at the Port of Oakland. The Port reported this month that export volume increased 5.1 percent in May over the same period a year ago. It was the fifth-straight month of export gains in Oakland and the highest volume in 17 months.

The Port said that it shipped the equivalent of 83,969 loaded 20-foot export containers last month. That was the most since October 2014 when it shipped 86,065 boxes. The Port said that a slightly weaker dollar has contributed to the export rally. As the dollar's value declines, U.S. goods become more affordable overseas.

"Export cargo is critical to our success," said Maritime Director John Driscoll. "So naturally we're encouraged by what we've seen so far in 2016."

Oakland cargo volume traditionally has been weighted more toward exports than imports. Exports accounted for 52 percent of Oakland's loaded container

volume in 2016 through May, the Port reported.

The Port said that year-to-date, Oakland export volume has increased 13.6 percent over 2015. Import volume is up, too, increasing 12.3 percent so far this

year, the Port said. May imports increased 3 percent from May 2015 totals.

The Port's total container volume is up 8.4 percent so far this year. Total volume includes loaded import and export containers as well as empty containers.

