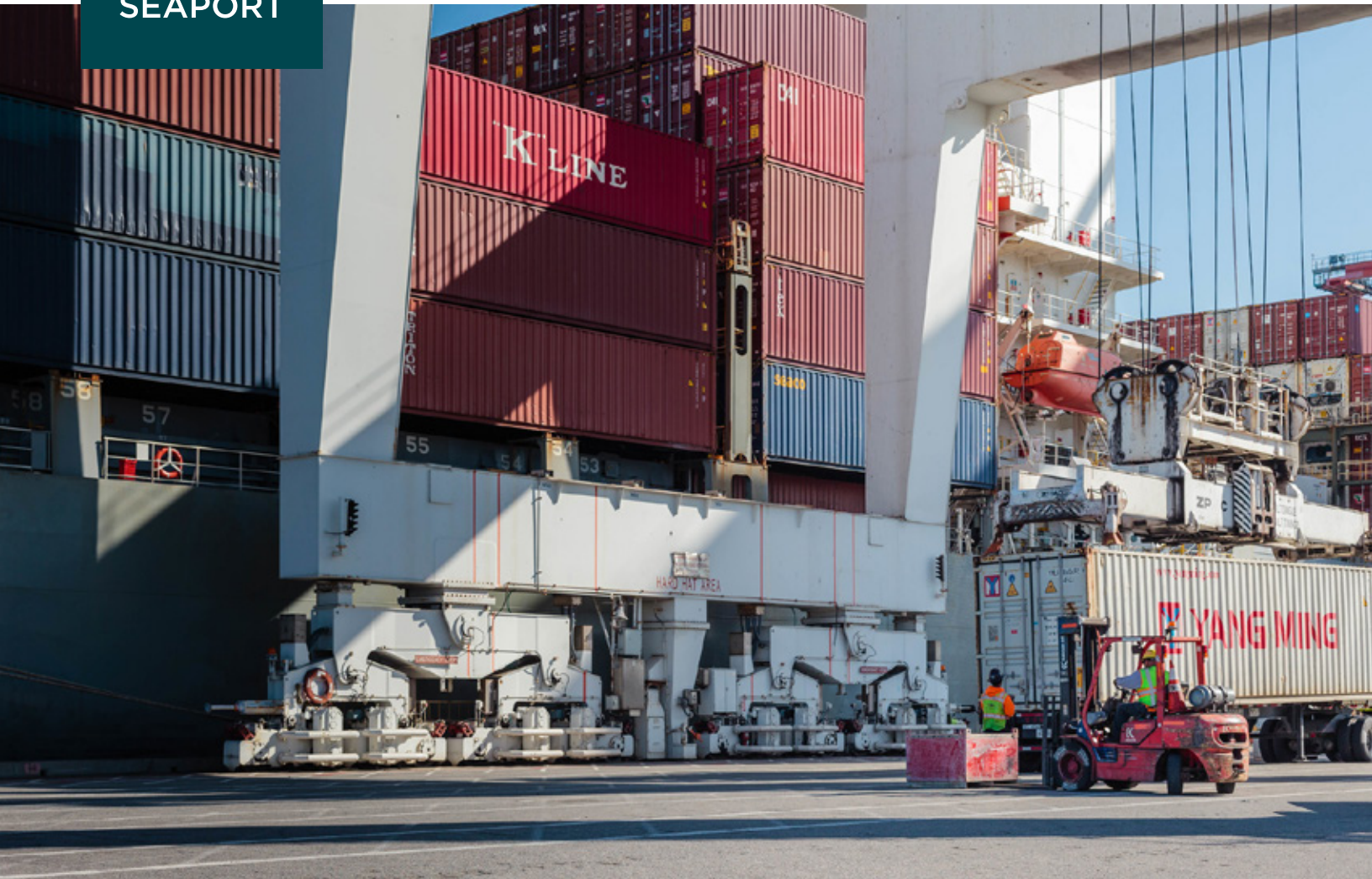




**PORT OF OAKLAND
SEAPORT**

MARCH 2020

MARITIME e-NEWS



Maritime Director's Message



*John C. Driscoll
Maritime Director*

International news media are watching the Port of Oakland. They were here this month to view the visit of the cruise ship Grand Princess with passengers who may have been exposed to coronavirus COVID-19.

Now the media is clamoring for the February containerized cargo volume numbers we just released. They're seeking a smoking gun that proves how badly coronavirus is pinching supply chains. The thing is, evidence remains inconclusive.

Oakland import cargo volume declined 9.2 percent last month. But exports soared, up 15.4 percent. What are we to make of that? It's not clear.

Certainly, the import decline reflects coronavirus-related disruption in China's manufacturing sector. With many factories closed in February to combat the virus, there was less output to export on container vessels.

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Port of Oakland stays open for business

The Port of Oakland and Oakland International Airport will remain operational despite an Alameda County shelter-in-place order. Both facilities are essential services exempt from the order, the Port said this month.

The Port's announcement followed shelter-in-place orders issued by six Bay Area counties March 16. The orders are intended to slow the spread of coronavirus. Under the restrictions, only essential businesses are permitted to remain open. Other employers must send workers home until the order is lifted.

Cruise ship leaves port
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The Port of Oakland is one of the 10 busiest container seaports in the U.S. It handles more than 2.5 million cargo containers annually, transacting more than \$100 billion in global trade.

The Port's Oakland International Airport is the third-busiest airport in Northern California. Close to 14 million passengers a

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Exports soared in Oakland last month

Port of Oakland containerized export volume increased 15.4 percent last month over February 2019, according to data published this month. It was the busiest February for export cargo in the past six years, the Port said. Oakland exports have now increased year-over-year in five consecutive months.

"It may be too soon to declare this a rally, but we're encouraged by our export performance," said Port of Oakland Maritime Director John Driscoll. "It shows demand remains strong for our customers' products.

The Port attributed much of the volume increase to growth in agricultural exports – especially refrigerated perishables. It singled out increased shipments of chilled and frozen meat products to Asian markets.

The cargo surge was welcome, given Oakland's reputation as a top U.S. export gateway. The Port said exports account for 51 percent of its loaded container volume so far, in 2020. Imports account for 49 percent of the total.

The Port said its February import volume declined 9.2 percent compared to the same period last year. The drop was anticipated for two reasons:

- Cargo volume traditionally slumps following Lunar New Year holidays in Asia, where most Oakland imports originate.
- Chinese factory closures to combat coronavirus have reduced output of finished goods sent to the U.S. in containers.

Shipping lines have canceled 20 voyages to Oakland between February and April, the Port said. That's a result of reduced demand for ship space because of China's manufacturing downturn. Ocean carriers are scuttling dozens more sailings to ports worldwide through spring. The result is likely to be a decline in March import volume, as well, the Port said.

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But let's not jump to conclusions. February and March are traditionally slack periods for our industry. A downturn in cargo volume was always to be expected. What we can't say with certainty is how much China's anti-contagion measures exacerbated the decline. We would need several more months of results to get a clearer picture.

Meanwhile, we're on a five-month string of growing export volume compared to 2019 totals. That's one of the beauties of Oakland's balanced cargo portfolio which is split nearly 50-50 between imports and exports. When one side of the equation declines, the other can increase, just like it did in February.

We're still hesitant to project what comes next. But what we do know is that U.S. ports are feeling the effects of coronavirus. Blank sailings, sporadic terminal gate closures, equipment dislocation, all of this has been reported in recent weeks. The disruption hasn't been acute at the Port of Oakland, but we're not immune. Here's an update:

- Twenty Oakland calls have been voided from early February to late-April.
- We've had at least one day-shift terminal gate closure due to declining volume.
- Several night gates were cancelled.
- Oakland-bound vessels are laden with empty container returns loaded at Southern California ports. This has slowed vessel operations as Oakland imports and exports are worked around the empties.
- Refrigerated exports have backed up at terminals here due to reefer-handling disruption at Chinese ports.
- Exporters are scrambling to secure vessel space in the face of blank sailings.
- So far, we have not witnessed big impacts on the work force. However, if volumes should drop further, the demand for labor could soften.

Volume dips aren't unexpected at the Port of Oakland. We're an international trade gateway. We're used to peaks and valleys in the global economy. The issue is the well-being of those who depend on the Port. Will importers receive sufficient volume to feed assembly lines and stock store shelves? Can exporters find space on ships? What about dockworkers, truckers or warehouse technicians? Will shifts be canceled? Will business decline? These are the things we're watching closely during the next few months.

Our aim is twofold during this period of uncertainty:

- Protect those working on the front lines of the supply chain; and
- Minimize the coronavirus disruption.

We're following U.S. Coast Guard regulations related to the virus. Crews can't disembark in Oakland if they've been to countries in the past two weeks with substantial coronavirus outbreaks. Vessels must provide notification in advance of arrival if crew members are ill. We're pleased to say that, so far, there have been no health-related issues here.

Meanwhile, we're working with terminal operators to keep cargo flowing. For instance, we've provided additional temporary space to an operator choc-a-bloc with empties. And we'll continue to seek mitigation for supply chain risks resulting from coronavirus.

Extraordinary work-flow challenges aren't new to our industry. Whether natural or man-made, we occasionally come face-to-face with supply chain roadblocks. In this case, as in all others, the Port of Oakland puts the priority where it belongs: on health, safety and the well-being of global trade.

Fitch affirms Port of Oakland ratings

Fitch Ratings has affirmed its ratings on Port of Oakland debt. The agency last month announced the following ratings for Port bonds:

- \$622 million in senior lien revenue bonds at 'A+';
- \$181.9 million in intermediate lien revenue bonds at 'A'; and
- Underlying bank bonds for the port's commercial paper (CP) notes at 'A'.

Fitch said the ratings were based partly on the strength of the Port's sizable origin and destination enplanement base and financial stability provided by long-term seaport contracts

supporting cargo operations within a large, economically diverse and wealthy San Francisco Bay Area market.

Fitch also cited the Port's strong balance sheet, high debt service coverage ratios, and diverse revenue streams from its three distinct business lines: aviation, maritime and commercial real estate.

The Port has issued debt to finance and refinance past capital improvements primarily at the seaport and its Oakland International Airport. Ratings by agencies such as Fitch help inform investors of the credit quality of a bond by measuring the bond issuer's financial strength, and its ability to pay principal and interest over the life of the bond.

Cruise ship departs Port of Oakland

The cruise ship Grand Princess has departed from the Port of Oakland. It's currently at anchor in San Francisco Bay. This is the ship that docked at the Port March 9 with some passengers and crew who tested positive for COVID-19. Here's an update:

- Tug boats guided the Grand Princess away from the Port of Oakland March 16 at 7:40 a.m. The ship went to anchorage in San Francisco Bay.
- According to public health officials, some crew members will remain on board the vessel in quarantine.
- More than 2,000 passengers were discharged from the ship during its seven-day stay at the Port of Oakland. They disembarked through a cordoned-off area at Outer Harbor Terminal. Government health officials evaluated passengers as they exited the vessel.
- Passengers who completed evaluations were transported away from the Port. Some departed by bus. Others left on flights from the North Field at Oakland International Airport to locations in California, Texas, Georgia, Canada and the UK.
- State and federal officials concluded that Oakland was the best place for disembarkation of passengers. The vessel berthed at an area not currently used for vessel or cargo operations.
- The Port worked with the officials in charge to protect our people and property, neighboring communities, customers and their cargo.
- **NO PORT EMPLOYEE OR DIRECT CONTRACTOR** of the **PORT** was allowed on the Grand Princess disembarkation area during the operation.
- Full, normal operations continued at both the Seaport and Airport during the Grand Princess' week-long stay in Oakland. The activity related to the Grand Princess was not taking place near the Port's other operations.

People have asked about preventative measures taken to minimize exposure risk during the operation. Here's what transpired:

- Health officials pre-screened passengers aboard the ship.
- Passengers were evaluated after they disembarked in a secured, 10.85-acre examination area adjacent to where the ship was berthed.
- Passengers wore masks while at the Port.

- Once evaluations were completed, passengers were transported away from the Port in charter buses on traffic routes that avoided residential locations.
- The operation took place at a vacant and isolated area controlled and secured by federal officials.
- The berth and screening area are being disinfected before reverting to Maritime-related use.

Here's what's happened at the Airport North Field:

- Cruise ship passengers were transported by bus, accompanied by law enforcement, from the dock to North Field where they boarded departing flights.
- Buses met awaiting aircraft at a remote ramp area at North Field.
- Passengers were transferred directly from buses to the aircraft.
- Passengers from the cruise ship didn't access the Airport's terminals or intermingle with commercial travelers or Airport personnel.

At no time were any passengers or Grand Princess Staff outside of the ship without close medical supervision or federal/state escort. There was no threat to the community from direct contact with any passengers or cruise ship staff. All equipment associated with this operation will be disinfected prior to demobilization at the pier and will not reside in any community location. Federal officials constantly evaluated risk during the operation and mitigated any potential breach of safety. Health and Human Services senior medical and safety staff oversaw all operations.

The Grand Princess coronavirus outbreak was part of a global emergency and the Port of Oakland

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year fly in and out of Oakland.

"Our operations are critical to the health, safety, infrastructure and economy of our region," said Port of Oakland Executive Director Danny Wan. "We will continue to function as a vital gateway for global trade and transportation while doing everything possible to protect our employees, customers and business partners."

The Port said marine terminals would continue to load and unload cargo from ships. The Airport would go on with its daily schedule of inbound and departing flights, the Port said.

The Port said it would adopt a resilience plan to staff its operations while minimizing employee exposure to coronavirus. The Port said it has received no reports of employees, customers or business partners testing positive for coronavirus.

According to the Port, airlines, shipping lines and marine terminal operators have said they'll continue operations in Oakland. The Port was meeting with longshore union officials to determine what staffing levels could be expected on the docks.

The Port said it would continue with an accelerated sanitization regimen at Oakland International Airport to protect travelers. It said it was conferring with marine terminal operators on how best to sanitize seaport operations. The Port said it would introduce social distancing protocols at its facilities to curb the coronavirus spread.

was called on to support our state and federal partners in responding to this emergency. The state is facing an extraordinary public health situation that requires urgent remediation. State and federal officials concluded that the Port of Oakland was well-positioned to be part of the solution. That is why we provided support.

