

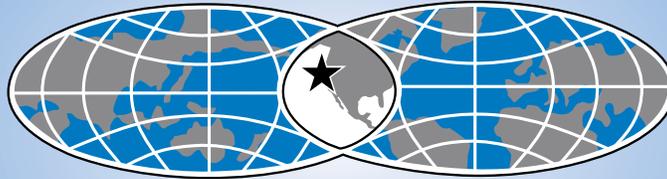


**PORT OF OAKLAND
SEAPORT**

FEBRUARY 2017

MARITIME e-NEWS

HAPPY BIRTHDAY!



PORT OF OAKLAND

90 YEARS OF PUBLIC SERVICE

FEBRUARY 12, 1927–FEBRUARY 12, 2017

Executive Director's Message



*Executive Director
Chris Lytle*

On Feb. 12, 1927, five civic leaders were sworn in under a city charter amendment to govern Oakland's port. They formed the first Board of Port Commissioners, and the Port of Oakland was born.

This month is the 90th anniversary of that milestone. Oakland Mayor Libby Schaaf has observed the anniversary by declaring Port of Oakland Day in the city. Now I'd like to weigh in.

I'm honored—and humbled—to be the Executive Director of an organization so important to so many. For nearly a century, the Port of Oakland has made history in global trade and transportation. It has been the economic bedrock for a dynamic city. It has provided jobs—good paying jobs—to thousands, with an emphasis on workers from hard-pressed neighborhoods.

Today Oakland is one of the country's top 10 container seaports, processing \$64 billion in annual trade. Oakland International Airport is the San Francisco Bay Area's second busiest with 12 million

passengers a year. Our Jack London Square—Oakland's No. 1 entertainment and leisure venue—draws 3 million annual visitors.

Numbers, however, don't tell the whole story. Here are just some of the Port of Oakland highlights of the past 90 years:

- We pioneered Transpacific air travel.
- We welcomed Amelia Earhart.
- We supplied the troops in World II, Korea and Vietnam.
- We brought container shipping to the West Coast.
- We berthed the largest container ship ever to call at a U.S. port.

We're far from done. We're now transforming to upgrade our status as a global gateway. The improvements will include a better International Arrivals Building as we expand air service to Europe and Mexico. We're about to start construction on 750,000 square feet of warehouse space to become the West Coast's leading seaport logistics center. With nearby residential development and a hotel on the drawing board, Jack London Square will become a 24-hour lifestyle destination.

We're improving to keep ahead of trends in global trade and transportation. As we do, business volume will grow. So will local employment. And at our 100th anniversary, we'll have even more to celebrate.

Port Invests in Future

A Port of Oakland executive this month outlined a \$600 million spending plan for growth at his West Coast trade gateway. Maritime Director John Driscoll told a maritime audience that Oakland would increase trade volume by investing in new facilities and better infrastructure. The objective: more containerized cargo.

"We're building for growth in an industry that is becoming more and more competitive," Mr. Driscoll said at an American Association of Port Authorities conference. "By investing with partners who share our vision, we can deliver services that will be of great value to the global supply chain."

Mr. Driscoll said the Port would team with private developers and

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Future, continued from page 1

public agencies to modernize the Port's infrastructure. He said investment from all three sources would be used to create new logistics capabilities in Oakland. It will also help eliminate bottlenecks that inhibit cargo flow, he said. Among the proposed investments:

- \$244 million, mostly from government grants, to separate railroad tracks from major Port roadways;
- A \$90 million, privately built refrigerated warehouse called Cool Port to increase chilled beef and pork exports;
- A \$50 million expansion, also privately financed, of the Port's second-largest marine terminal.

Mr. Driscoll said the Port has just completed a \$100 million railyard near marine terminals and a proposed logistics complex. The proximity of the new developments should be a drawing card for shippers, he said. It will enable cargo to be quickly shifted between rail, road and ocean transport. That's critical for time-sensitive international shipments. At most gateways, transferring of cargo—known as transloading—takes place away from the port.

The Maritime Director said construction on Cool Port could begin next month. Terminal expansion is already underway. The truck-rail grade separation still awaits government funding.

A Breakout Year for Growth in Oakland

Port of Oakland executives are calling 2017 the breakout year for an ambitious growth agenda. They've asked their Efficiency Task Force to help shape that growth.

The Port expects to begin construction on nearly 750,000 square feet of warehousing this year, said Maritime Director John Driscoll. It will also raise the height of ship-to-shore cranes to load and unload bigger ships. The work is intended to drive more containerized cargo volume through the Port of Oakland.

Executive Director Chris Lytle called on the 60-member Task Force of Port stakeholders for guidance. "We want more cargo," Mr. Lytle told the membership during a meeting at Port headquarters. "But we need all of you at the table to make sure we do it right."

It was the first 2017 meeting for the assembly of shipping lines, railroads, motor carriers, dockworkers, Customs officers and cargo owners. The Task Force came together 18 months ago to improve Oakland's operating efficiency. Now it's being asked to help refine operations in light of upcoming construction projects that will include:

- A 283,000-square-foot Cool Port refrigerated warehouse scheduled to begin construction in March that could send an additional 30,000 containers full of chilled meet through Oakland annually;
- A 440,000-square-foot Seaport Logistics Complex warehouse that could break ground in late 2017; and
- Raising six cranes 26-feet higher beginning in April so they can reach containers stacked aboard the largest ships calling North America.

"These projects are game-changers for the Port of Oakland," said Mr. Driscoll. "They give us growth potential for the next 20 years."

Task Force members said they're working on new efficiency measures to prepare for Oakland's growth. Among them: a common online portal to transact business with all four of the Port's marine terminals and refined metrics to gauge transaction times.

The Port credited Task Force members for 2016 measures that accelerated cargo movement. Those included extended gate hours for trucker transactions and appointments to pick up cargo. "We outperformed the marketplace," Mr. Lytle told the Task Force. "And you had a lot to do with that."



Port of Oakland Exports Up 9 Percent

New year, same old story at the Port of Oakland: exports are on the rise again. The Port said that containerized export volume increased 9 percent last month compared to January 2016. It was the seventh straight month of rising exports in Oakland, and the 12th increase in 13 months.

And that's not all, the Port said. Containerized imports increased last month, too, rising 3.6 percent. Overall, loaded container volume at the Port was up 6.1 percent.

"We've been cautiously optimistic about 2017 cargo volumes and this is a solid start to the year," said Maritime Director John Driscoll. "In particular, we're gratified by the continued success in our export business."

The Port said agricultural commodities continue to drive Oakland export increases. For instance, strong harvests and aggressive marketing helped boost overseas sales of California almonds last month.

Import volume increased in January as U.S. shippers stocked inventories ahead of Lunar New Year holidays. Manufacturers in Asia sometimes close factories for up to two weeks.

The Port said its nonstop export rally is noteworthy because the U.S. dollar remains strong against foreign currencies. A strong dollar typically dampens exports by making U.S. commodities more expensive overseas.

The Commerce Department reported this week that the U.S. trade deficit reached a four-year high in 2016. That was attributed in part to export softness. Yet Port of Oakland export volume increased 10.5 percent last year.

Ag Exports Soar 233 Percent in Five Years

Agricultural export tonnage has grown a stunning 233 percent at the Port of Oakland in the last five years. The result has transformed the Port's trade profile, making Oakland a leading gateway to Asia—especially for California growers.

That's the message a Port executive delivered to members of the California Trucking Association last month. "Agricultural commodities now account for 53 percent of our total export tonnage," Business Development Manager Beth Frisher told motor carriers at their annual membership meeting in Monterey. "And California growers are producing the lion's share of that amount."

Ms. Frisher said that in 2016, farm exports shipped from Oakland totaled 3.9 million metric tons. That was up from 1.2 million metric tons in 2012. She added that California producers accounted for 70 percent of agricultural exports last year. Ms. Frisher listed three reasons for the surge in farm exports:

- Asia's growing middle class is clamoring for high-quality US farm products.
- Oakland is the last West Coast port of call before ships head back to Asia. That means perishables spend less time on the ocean if they're loaded in Oakland, which extends shelf life.
- Oakland is the closest port for growers in the Sacramento, San Joaquin, Salinas and Napa valleys who export to Asia.

Fruits and nuts are the leading agricultural commodity shipped from Oakland, Ms. Frisher said. Next come meats, and beverages and spirits. The latter category includes California wines. Japan, China and South Korea are the top three trading partners for Oakland's agricultural exports.

Oakland reported a 10.5 percent increase in total export volume last year. Exports accounted for 53 percent of the Port's overall containerized cargo volume. Imports made up the rest. Oakland is one of the only U.S. ports weighted more heavily toward exports.

Ms. Frisher said 2017 could be another year of export growth—especially in agricultural commodities. Heavy rains this winter have eased five years of drought, she said. The result should be bountiful harvests next fall.



Nuts R Us

Reprinted from Pacific Merchant Shipping Association West Coast Trade Report

By Jock O'Connell

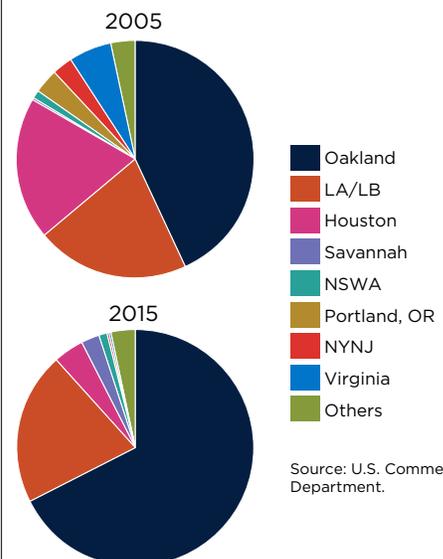
U.S. West Coast ports have lately been thriving on exports of scrap paper products (like what was left of the cardboard box I found ripped open on my front porch just before Christmas). A surge in demand for packaging materials from China, Vietnam, and other East Asian economies has largely been behind the recent rise in the strong-dollar-defying exports of laden TEUs sailing from USWC ports. America's West Coast ports, fortunately, traffic in commodities other than rubbish. The Port of Oakland, for example, has long been known as a major gateway for agricultural exports, a somewhat ironic status given its location amidst the world's capital of most things hightech. The port's website lists four agricultural commodities among its top five exports by weight. Yet, unlike other ag-oriented ports such as New Orleans and Houston, Oakland's terminals do not feature massive grain silos. Indeed, crops such as wheat, corn, and soybeans do not factor significantly in Oakland's export trade. Instead, Oakland is preeminently an exporter of short to medium grain rice and what are called "specialty crops"—notably fruits, vegetables, wines, and nuts.

Location, location, location: Oakland's role as a conduit for farm exports is hardly surprising given its proximity to California's Central Valley, arguably the most valuable piece of agricultural real

estate on the planet. (It always seems to amaze those accustomed to imagining California's economy in terms of Silicon Valley and Hollywood that California is also the nation's most prolific agricultural state, with farm receipts totaling more than double those of Texas, the country's second leading food producer.) Planting vast acreages in wheat, corn, and soybeans long ago ceased to be a viable option for growers in a state where production costs are as high as they are in California (Only one-half of one percent of all U.S. acreage given over to wheat production lies within California). To sustain themselves economically, California farmers turned to crops that commanded much higher prices. So, while not necessarily producing the basic food products that sustain life, the state's growers produce the kinds of foods that make life enjoyable. Today, California accounts for 100% of the nation's exports of table grapes, raisins, figs, dried plums, kiwis, dates, olives and olive oil, garlic, artichokes, almonds, walnuts, and pistachios. It also accounts for just over half of the nation's production of medium grain rice and nearly all its commercially-grown short grain variety. Not surprisingly, 85% of the nation's wine is produced in California. Oakland's preeminence as the port of departure for the state's agricultural exports is especially noteworthy when it comes to exports of nuts. As Exhibit 4 shows, Oakland's

share of U.S. nut export tonnage soared between 2005 and 2015, when the port handled 81% of all almond exports and 94% of all walnut exports from U.S. ports. That dominance was not always the case. As recently as 2005, Oakland's share of U.S. nut exports was just over 43%, followed by Houston at 22%, and Los Angeles/Long Beach at 18%. Ten years later, Houston's share had fallen to 4%, Los Angeles/Long Beach held steady at 18%, but Oakland's jumped to almost 68%.

Exhibit 4 Port Shares of U.S. Containerized Exports of Nuts (HS 0802) by Weight



Source: U.S. Commerce Department.

Oakland Provides Hope for Port Productivity Progress

Reprinted from Journal of Commerce

By Lawrence J. Gross,
President, Gross Transportation Consulting

December's JOC Port Performance North America Conference in Iselin, New Jersey, highlighted the continuing—some would say perpetual—problems of port congestion and inefficiency along with the structural difficulties of changing well-established practices in the face of chronic container shipping overcapacity. Amid the gloom, however, were some bright rays of light that indicate progress is possible even under these adverse conditions.

Container carriers' structural overcapacity and its attendant red ink is inevitably putting downward pressure on all downstream players in the supply chain. Port terminals are in the most vulnerable spot, as the concentration of volume into just a few large alliances is turning their negotiations with the carriers



into an all-or-nothing affair they can't afford to lose. The carriers are putting fierce pressure on the terminals to reduce rates, even though the carriers' introduction of mega-ships has necessitated huge investments and actually raised operating costs.

Chassis providers and drayage operators provide another good example of the persistence of old, non-productive industry practice. Although the steamship lines nominally exited the business of providing chassis more than five years ago, they persist in bundling chassis provision into some of their rate offerings, generating tremendous complexity in the system. Clearly, all would be better off if the carriers completed their exit from this aspect of the business and allowed new systems to emerge in total.

But such an exit is impossible right now. Shippers are accustomed to the provision of "free" chassis bundled with their ocean transportation, and no carrier is willing to force the change, given the likelihood that it will lose that customer to a hungry competitor who is more than happy to perpetuate the practice for the time being in order to help fill its mega-ship.

Despite this quagmire, the conference also showed that progress is still possible. Another chronic area of friction in the ports has been the amount of time required for truckers to get in and out of the terminal. There hasn't even been agreement on what should be measured, with terminals often measuring the in-gate to out-gate times, while truckers (rightfully) also want to count the time spent waiting in line to get inside. There isn't agreement on the facts, so forward progress is impeded.

Enter the Port of Oakland and the new drayage smartphone apps that have been created at its behest by Leidos. Titled "Dray-Q" and "Dray-Link," these apps, available for free download, utilize a combination of Bluetooth, WiFi and GPS to provide a real-time view of what's happening at the port. Springboarding from the smartphones already in every trucker's pocket, the apps

provide a complete picture of the operation, including current wait times at various gates and backups within the terminal.

There are two important benefits. First, the trucker has a good idea of the status of terminal operations, which can be used to optimize current operations and maximize productivity. Forewarned of long lines at the gate, a trucker might elect to postpone a visit to the port, slotting in another local move while the in-gate line shortens.

Importantly, the app also provides all participants with a common understanding of the current reality of operations in the Port of Oakland and a good measuring stick to determine whether changes result in improvement. You can't know which way to head until you know where you are. Too many port terminals are afraid of accurate data because it will reveal the true nature of their operational shortcomings. But an accurate understanding of reality by all the involved parties is a prerequisite for progress.

That's what makes the actions of the Port of Oakland commendable. It's willing to stick its neck out to improve things. Progress is possible even under the current adverse conditions. It just requires some courage and creativity.

Uncertain Outlook

There's an uncertain outlook for U.S. ports, says the head of the Pacific Merchant Shipping Association. John McLaurin traces the doubt to a changing maritime industry, environmental regulation and President Donald Trump. The PMSA president told an Oakland audience this month that those influences could put ports at risk.

"What is uncertain are the trade policy impacts of the new Trump Administration," he said at a Propeller Club speech in the Port of Oakland's Jack London Square. "The Trump Administration trade policy is unknown at this time, but millions of jobs and the economic health of public port authorities, local, regional and state economies are at risk."

Mr. McLaurin said threatened trade restrictions would diminish cargo volume, resulting in job loss throughout global supply chains. "I'll leave it to the political commentators to debate the future successes or failures of the Trump Administration," he said. "However, the outlook for California's ports, like all ports in the United States, is equally uncertain."

The PMSA executive's remarks follow a record-breaking year at the Port of Oakland. The Port in January reported loaded container volume of 1.83 million TEUs for 2016, an all-time high. The performance was noteworthy since the Port lost one of four marine terminal tenants to bankruptcy. Oakland not only retained the terminal operator's cargo, it actually expanded overall volume.

Mr. McLaurin pointed out that ports statewide neared record levels in 2016. He added, however, that industry change is clouding their future. He blamed consolidation, bankruptcy and shifting carrier alliances that could alter where vessels call.

"One of my members described the anticipated deployments and port and terminal choices as a game of musical chairs," said Mr. McLaurin—"Once the music stops we will see where everyone lands. The end result? There will be winners and losers at both the terminal and port level."

Mr. McLaurin also cautioned that new environmental restrictions proposed in California could damage port competitiveness. The regulations would drastically reduce greenhouse emissions from freight transport. However, the PMSA president said they could encourage shippers and carriers to use less-restrictive U.S. ports.

"If all we do is divert cargo to other gateways, we have achieved nothing, and in fact may be doing environmental harm," he said.