



**PORT OF OAKLAND
SEAPORT**

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MARITIME e-NEWS



Rendering of what Cool Port Oakland at the Port of Oakland will look like when construction is completed in 2018

Cool Port getting rail link

A refrigerated gateway to Asia for U.S. meat exports has cleared its last big hurdle here. Port of Oakland Commissioners last month OK'd an \$11 million rail spur to Cool Port Oakland. It's the final piece of an ambitious plan to make this city a vital link in the food chain.

The spur would connect Union Pacific Railroad tracks with Cool Port, a 280,000-square-foot distribution center now under construction on 25 acres of Port property. Burlington Northern Santa Fe Railroad would also have rail access.

When the project is completed, an estimated 27,000 20-foot containers of meat could ship from Oakland annually. The final destination: export markets in Asia.

"The concept is to bring vast quantities of chilled or frozen beef and pork to Oakland via the rails," explained Port of Oakland Maritime Director John Driscoll. "At Cool Port, the product would be transferred from rail cars to shipping containers, then whisked across the street to outbound vessels."

International logistics specialists Lineage Logistics and local operator Dreisbach Enterprises are building Cool Port under a lease agreement with the Port. The Port has agreed to oversee construction of the 2-mile-long rail spur. The Port will share rail costs with the developers. A \$5 million grant will offset part of the cost. Union Pacific will construct a portion of the spur on its property.

Oakland is already a leading U.S. gateway to Asia for agricultural products including meat. Port officials say Cool Port could significantly increase shipments of beef and pork from the Midwest. The products would be exported overseas to satisfy growing Asian demand for U.S. premium meat. Proximity to the docks means cargo could be quickly transferred from rail to ship with minimal cost.

Cool Port Oakland is expected to open in the third quarter of 2018.

September import record in Oakland

Containerized import volume at the Port of Oakland increased 12.6 percent last month. The Port reported that it handled the equivalent of 79,135 20-foot import containers. A search of records indicates that it was the largest September import volume in the Port's history.

"This is the peak season for container shipping, when we expect higher import volumes ahead of the year-end holidays," said Port of Oakland Maritime Director John Driscoll. "We're pleased to see the pace of activity picking up."

According to Port data, last month's import surge topped the previous September record of 77,071 containers. That was set back in 2006.

The Port said that import volume is up 4.1 percent year-to-date compared to 2016. It added that the higher volume reflects increased spending by U.S. consumers on overseas goods.

Ports nationwide typically handle more containerized imports in the August-through-October period. That's the time when retailers stock up for holiday sales. Most imports arriving in Oakland originate in Chinese or Southeast Asia factories.

The Port reported that total September container volume—which measures imports, exports and empty containers—increased 12.7 percent. But records show that the number of vessels visiting Oakland decreased 3.6 percent in that period. The Port said shipping lines are delivering more cargo to Oakland on fewer but larger ships.

Record revenue in FY 2017

The Port of Oakland reported record operating revenue of \$358.7 million for Fiscal Year 2017. The Port said that was 6 percent higher than the previous record of \$338 million set last year. It added that growth in all three of its business lines contributed to the performance.

FY 2017 operating income increased 20.6 percent to \$63.7 million, the Port said. That was the result of revenue growth outpacing a 3.4 percent increase in expenses, the Port added.

According to the Port's figures, operating revenue in its Aviation Division increased 10.2 percent last year. The Port said the increase was driven by an 8.4 percent increase in passenger traffic at Oakland International Airport.

The Port reported a 1.8 percent hike in FY 2017 operating revenue for its Maritime Division. Revenue increased despite lost income from a bankrupt marine terminal operator that ceased operations at the Oakland seaport last year.

The Port said operating revenue in its Commercial Real Estate Division increased 2.9 percent last year. It attributed the gain to a strong local property market.

FY 2017 operating revenue totals for the Port's three business lines:

- Aviation: \$190.6 million
- Maritime: \$151.4 million
- Commercial Real Estate: \$16.7 million.

The Port said that the outlook for its three business lines is positive. It said that strong growth is expected in Aviation traffic and revenue. It added that it anticipates continued stability at its seaport and in Commercial Real Estate.

Two Commissioners re-appointed at the Port of Oakland

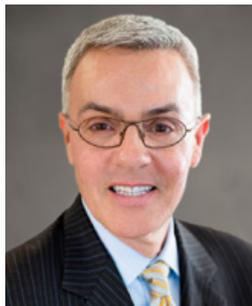
Port of Oakland Commissioners Michael Colbruno and Earl Hamlin have been given new 4-year terms by Oakland Mayor Libby Schaaf. The Mayor re-nominated both men to the Board of Port Commissioners. They were officially re-appointed by Oakland's City Council.

Mr. Colbruno and Mr. Hamlin are both former Presidents of the Board. The seven-member Board sets policy and provides management oversight at the Port.

"I am honored to be afforded the opportunity to continue the meaningful work at the Port of Oakland, including attracting new business and promoting important renewable energy projects," said Mr. Colbruno. "Ninety percent of everything that a consumer touches comes through a port, so this work has a major impact on everyone around us." Added Mr. Hamlin: "It's an honor to continue working with Commissioners and staff who've contributed so much to Oakland's resurgence."

Mr. Colbruno is a partner in the public affairs firm the Milo Group of California. He joined the Board of Port Commissioners in 2013. Mr. Colbruno previously served on the city's Planning Commission.

Mr. Hamlin is retired from investment bank Hambrecht & Quist. He joined the Board of Port Commissioners in 2012. Mr. Hamlin previously served on the Alameda County Planning Commission.



Michael Colbruno



Earl S. Hamlin

West Coast ports must compete



Executive Director
Chris Lytle

U.S. West Coast ports are under tremendous pressure from East Coast competitors, says the Port of Oakland's Executive Director. What must they do in response? "We've got to invest. We've got to become more efficient," Chris Lytle told a gathering of rail interests in Oakland last month.

Oakland's boss told a meeting of the American Association of State Highway and Transportation Officials' Standing Committee on Rail Transport that the West Coast's share of containerized trade

is declining. Ports in California and Washington once controlled all of the Asia-to-U.S. market, he pointed out. Their share now hovers around 50 percent.

Mr. Lytle said that without an aggressive counter punch from West Coast ports, the downward spiral would continue. "Market share will erode," he said. "It should be concerning to all of us."

The Executive Director said Atlantic Coast ports from New York to Savannah have invested to increase their competitiveness. They've deepened waterways to accommodate the industry's new wave of megaships. The improvements coincide with a newly enlarged Panama Canal. The result: big ships are diverting cargo from West Coast gateways.

According to Mr. Lytle, location and cargo mix help to insulate Oakland against most cargo migration. Oakland cargo goes primarily to Northern California markets he explained, and can't be served from competing ports. Other West Coast ports, however, send most of their cargo inland via the rails. That cargo can reach final destinations through any number of U.S. gateways, as well as through Mexico and Canada.

Mr. Lytle said his port isn't relying on inherent advantage to protect market share. Instead, he pointed out, Oakland is in the midst of a \$600 million capital spending campaign to improve efficiency.

Last year Oakland opened a new \$100 million railyard. It's now planning a \$240 million project to separate train tracks from the Port's main roadway. Mr. Lytle said government funding has been critical for infrastructure improvements. "If the funds had to come from just the Port, the projects wouldn't happen," he said. "Partnerships are essential."

Mr. Lytle updated his audience on two additional Port projects he said would set Oakland apart from competitors:

- A 280,000-square-foot refrigerated distribution center called Cool Port Oakland should open as soon as August 2018. It could annually attract enough chilled and frozen meat products to fill 27,000 20-foot containers.
- The Board of Port Commissioners could vote as soon as next month on the proposed 450,000-square-foot first phase of a Seaport Logistics Complex. The facility would provide logistics services, such as transferring cargo between ships and trains, within the Port's footprint.

"These facilities will be so close, you could throw a rock from the buildings to the docks, and you could throw another rock to the railroad tracks," Mr. Lytle said. "This is what can differentiate a Port—we leverage proximity to achieve efficiency."



Night gates applauded

In 2016, Oakland International Container Terminal at the Port of Oakland introduced night gates. Oakland's largest marine terminal now keeps gates open for truck driver transactions until 3 a.m., Monday-through-Thursday.

The terminal extended hours to ease crowding during peak daylight hours. It assessed a \$30 fee on loaded containers to pay for the night gates.

According to the terminal, night gates have reduced wait times for drivers and accelerated cargo throughput. A major customer at the Port confirms those findings.

"The improvement at the Oakland International Container Terminal as a result of the extended hours program there has been pretty phenomenal," said Alison Leavitt, managing director of the Wine & Spirits Shippers Association in Reston, Va. Her comments to an East Coast shipping industry gathering were reported in the *Journal of Commerce*.

"It's not perfect," the magazine quoted Ms. Leavitt as saying. "There is no perfect port out there. "But as a shipper, I am very happy to pay that \$30 to get my container moving."



Security grants

The Port of Oakland will receive approximately \$1.8 million in federal Port Security Grant Program funding to implement two new Port security projects. Oakland is one of 33 U.S. ports to receive grant funds awarded by FEMA.

"This federal funding supports critical security initiatives that serve Port workers, our community and our business partners," said Port of Oakland Facilities Security Officer Troy Hosmer. "These projects will improve our ability to prevent, respond and recover from incidents at our seaport."

The \$1.8M will support these security initiatives in Oakland:

- Upgrading the Port Truck Management System to heighten awareness of the large commercial vehicles entering and exiting Oakland marine terminals;
- Developing a multi-agency Emergency Operations Center at the Oakland Seaport to support emergency operations in the event of a disaster or terrorist incident.

Estimated project costs:

- Total cost of the two, new Port of Oakland security projects: \$2.4 million
- Federal share: \$1.8 million (75 percent)
- Port share: \$600,000 (25 percent)

The grant requires the Port of Oakland to pay 25 percent of \$2.4 million, the total estimated cost of the projects, and complete them within three years.

Federal grant will aid Oakland freight-haulers

Port of Oakland freight-haulers just got a big gift from the Federal Highway Administration—\$9.7 million. The grant, awarded to Alameda County's Transportation Commission this month, could help transform containerized cargo movement through this region.

Local officials said the funds would support a multi-year, \$25 million program to streamline Port traffic with technology. Among the goals: a mobile phone app providing truck drivers or cargo owners a complete picture of the Port including:

- Current traffic conditions;
- Rail crossings impeded by passing freight trains; and
- Transaction times at the Port's four marine terminals.

"We're building a new foundation for freight transport in Oakland and this grant moves us much closer to our goal," said Port of Oakland Maritime Director John Driscoll. "We want to speed containers in and out of the Port and accelerate goods movement on Bay Area freeways; the Highway Administration has seen the wisdom of our approach."

Port and County officials have dubbed their proposed tech platform the Intelligent Transportation System. Among other things, it would include hi-def traffic cameras, RFID readers tracking transaction times and illuminated message boards to guide truckers.

Port officials said the system would reduce the time required to move containers in or out of Oakland. It follows work at the Port in the past two years to accelerate cargo handling inside marine terminals.

The Intelligent Transportation System is the first of two projects intended to further speed up cargo flow at the Port. The other—still on the drawing board—would separate train tracks from the roadway on Seventh Street, a major truck corridor.

Design of the system should be completed next September, said a Port representative. Work could begin in the first quarter of 2019. Funds from an Alameda County tax measure approved by voters in 2015 would help pay for the project.

