



**PORT OF OAKLAND
SEAPORT**

DECEMBER 2019

MARITIME e-NEWS

Maritime Director's Message

Our industry – transportation and logistics – is headed into a third straight year of uncertainty over global trade issues. At the Port of Oakland, however, we're not wringing our hands in anguish; we're facing 2020 with excitement. The reasons?

- Record cargo volume for the past two years;
- Greater efficiency in our operations; and
- Milestone capability upgrades on the way.

The upshot? There has probably never been a better time to do business with the Port of Oakland.

It's fashionable to bash West Coast ports, these days with talk of lost market share. Add to that a still-unresolved U.S.-China trade standoff and reasonable people presume the worst for western container gateways. But we're not buying into the gloom.

Granted, there's a blurry trade outlook. True, U.S. West-to-East cargo migration



*John C. Driscoll
Maritime Director*

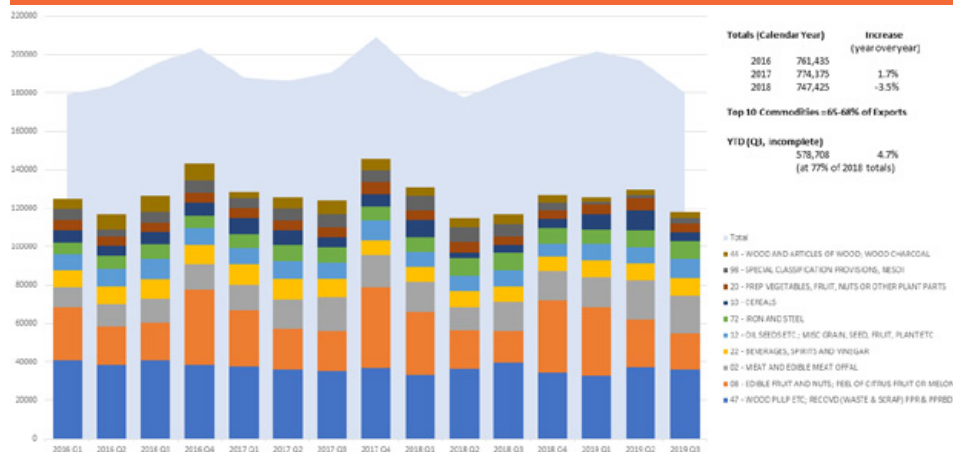
continues. What we see in Oakland, however, gives us reason for optimism.

Through November 2019, Oakland was just 0.8 percent behind last year's record cargo-handling pace. As for market share, the

trends are encouraging. Oakland gained share from 2018 to 2019 in U.S. import tonnage. We were up in export value, as well.

While others may be bleeding freight, Oakland is not. Here's why: More than 90 percent of Oakland imports are destined for Northern California or western Nevada. No other gateway can efficiently serve that lucrative geography. More importantly, Oakland has transformed operations in the last five years. Night gates...appointment systems...an online portal...these innovations have made it easier to do business through Oakland.

Port of Oakland Export Trend by Commodity (TEUs)



Export volume increased in November

Port of Oakland export cargo volume increased 5.8 percent last month compared to November 2018, according to statistics released this month. It was the second straight month export levels have risen in Oakland, the Port said. Export volume had previously climbed 10.8 percent in October.

According to Port data, Oakland handled the equivalent of 81,781 loaded export containers in November. It attributed the strong showing to increased overseas demand—primarily in Asia—for U.S. goods perceived to have high quality. It singled out American-produced farm goods, as an example.

The Port said import volume declined 7.2 percent last month compared to November 2018. Importers rushed cargo into the U.S. last year attempting to beat anticipated tariff increases.

Oakland's total cargo volume—imports, exports and empty containers—was down 0.8 percent through the first 11 months of 2019, the Port said. It attributed the decline mostly to a 10.5 percent drop in empty container handling compared to the same period a year ago. Empties are transported each month back to Asia—Oakland's main trade partner—to be loaded with import cargo bound for the U.S.

Cargo interests recognize Oakland's improvement. As a result, they're sending us more freight than ever. But don't take our word for it. Look instead at the bets industry powerhouses are making on Oakland in 2020.

Late next year, SSA will install three new ship-to-shore cranes at Oakland International Container Terminal. They'll be the tallest at any U.S. port. SSA's investment: \$30 million.

By summer, CenterPoint Properties will open the first building at the Port's long-awaited Seaport Logistics Complex. It will be one of the few, and one of the largest and most modern warehouse and transload facilities located within a seaport complex. CenterPoint's

investment: more than \$50 million.

Faith didn't bring investors to the brink of these breakthroughs. It was conviction, based on research, that global supply chains increasingly route through Oakland. A good example: Lineage Cool Port Oakland. This 280,000-square-foot refrigerated distribution center opened a year ago at the Port. It can transload up to 1 million tons of Midwest beef and pork annually to overseas markets.

We've staked our future on a simple equation: performance improvement plus new capability equals increased customer value. Cargo volume data indicates that this approach works. We expect to validate the hypothesis in 2020. That's why we're excited for the year ahead.

First female Port Attorney for Port of Oakland



Michele Heffes

For the first time in its 92-year history, a woman has been named Port Attorney at the Port of Oakland. The Port's governing Board this month appointed Michele Heffes as the head of its in-house Legal Department.

Ms. Heffes succeeds Danny Wan, the prior Port Attorney, who became the Port's Executive Director Nov. 14. A 31-year Port veteran, Ms. Heffes had been Interim Port Attorney while the Board sought Mr. Wan's replacement.

Ms. Heffes advises the Port on legal affairs that arise in the conduct of its Maritime, Aviation and Commercial Real Estate businesses. Her responsibilities include legal practice areas from litigation, real estate and labor to environmental compliance and insurance coverage.

Ms. Heffes holds a Bachelor of Science degree in Nuclear Engineering from the University of California, Berkeley. She joined the Port in 1988 as an environmental scientist, became a Deputy Port Attorney in 1993, and held other positions in the Port Attorney's Office including Assistant Port Attorney. She has a law degree from the University of San Francisco.

Port of Oakland plans upgrades

Chris Dupin, December 2, 2019

(Reprinted from *American Shipper*)

The Port of Oakland will continue to invest in ways that increase its efficiency and keep it competitive, according to the port's new executive director.

"I'm pretty positive about the outlook for the port," said **Danny Wan, who was promoted to the position on Nov. 14**. Wan noted that the port is seeing record-setting growth. Wan had been port attorney for six years and is a former Oakland city council member.

The port handled a record 2,589,698 TEUs of containerized cargo in its 2018-19 fiscal year, which ended June 30. Between July and October this year, it handled 854,148 TEU (653,350 loaded and 200,798 empty TEUs), compared with 894,672 TEU (630,440 TEU loaded and 264,233 empty) in the same 2018 months.

In October, exports were up 10.8% — surprising perhaps, given the continuing tariff war between China and the U.S.

"Our export customers have demonstrated their resilience throughout this tariff standoff," says John Driscoll, the port's maritime director.

Port of Oakland saw record container volumes in the fiscal year that ended June 30. (Source: Port of Oakland)

"I anticipate that that kind of steady growth will continue," said Wan, adding that he and Driscoll will "continue to look at innovative ways to make our operations more efficient," including reducing the turn time for truckers moving containers to and from marine terminals by getting more information to truckers, and getting more gate times for truckers.

"That's the name of the game on the logistics front," Wan told *American Shipper* in an interview at his office. "As long as we can get more efficient and stay out of the way, I think Oakland will continue to grow."

The port is investing between \$250 million and \$500 million

Port hopeful, cautious over trade deal

Port of Oakland officials mixed hope with caution this month following a possible U.S.-China trade war breakthrough. Word of a deal Dec. 13 to ease the 18-month-long tariff skirmish prompted the following response from the Port:

"We're hopeful that this is the beginning of the end to damaging trade restrictions," said Port of Oakland Executive Director Danny Wan. "It's a good sign for our shipping customers, but let's see how it plays out. There'll be more work ahead to get global trade flowing freely again."

According to reports, the U.S. said it would roll back tariffs on some imports from China. In return, Beijing said it would make significant purchases of American farm goods. New tariffs, set to be imposed by the U.S. Dec. 15, would be scrapped under the agreement.

Oakland, along with other West Coast port authorities, has called repeatedly for an end to the trade war. The Port warned that tariffs threatened import and export customers who depend on business with China.

The Port reported record cargo volume in 2018, despite tariffs imposed by both China and the U.S. Its total cargo volume through the first 11 months of 2019 is down 0.8 percent.

According to the Port, the deal announced this month could have special benefit for Oakland exporters. The Port is considered one of the principal gateways to Asia for U.S. agricultural goods. Since China is Oakland's leading trade partner, a trade war ceasefire could mean increased business for American farm producers who use Oakland.

to make its roadways more truck friendly, adding more lanes to Seventh Street, one of the port's main corridors.

The port is a department of the City of Oakland, and Wan notes it is working with other departments to "make sure the city is engaged with us when they plan their side of the fence — that they provide for truck routes, provide a more updated overweight corridor to help us separate our operations from the residential."

The port also plans to expand its two turning basins, where ships can turn 180 degrees so it is easier for them to exit the harbor.

The port's board of commissioners got a briefing in November on a turning basin expansion study.

The port's existing shipping channel and turning basins were designed and deepened to 50 feet in the late '90s and early 2000s based on a "design vessel" or standard, typical vessel with capacity of 6,500 TEUs.

The port has two turning basins, one in the port's outer harbor, which has a diameter of 1,650 feet, and the other in its inner harbor, which has a diameter of 1,500 feet.

Eric Napralla, the chief wharfinger for the port, explained expansion of the inner turning basin is of particular importance since the largest ships that can use it are 1,210 feet long and have a capacity of 14,000 TEUs.

The inner harbor channel is also where the Oakland International Container Terminal operated by SSA Marine is located, by far the largest marine terminal in the port, handling 62% of the port's containers.

"We are looking at having to serve vessels that are over 1,300 feet in length in the future," Napralla said. While the extra 100 feet may not sound like much, he says, pilots who navigate the ships in the tight space require extra space. During the board

continues on page 3

meeting, he showed a video of a ship turning in the basin.

Two years ago, CMA CGM conducted a test docking of an 18,000-TEU ship, the CMA CGM Benjamin Franklin, at the port's outer harbor and at several other West Coast ports. The ship is 1,310 feet long, compared with the 1,070-foot height of Salesforce Tower, the tallest building in San Francisco, across the bay.

While there are berths at the port than can accommodate such large ships, Napralla explained, they have had to be brought in "surgically" — during daylight hours, shutting down other port traffic.

That would be difficult to do on a regular basis since it would have a ripple effect of delaying other ships in the port.

Cestra Butner, the president of the board of commissioners, expressed concern that big ships might arrive at the port before the turning basins could be expanded.

"We should have started this a lot sooner. ... I'm just trying to get it to happen as quickly as we possibly can because I don't think there is any question about the ships coming," Butner said.

While the Army Corps of Engineers performs and funds maintenance of the channels and turning basins, the port and the federal government share the cost of improving and enhancing them.

In August, the port submitted an application to the corps for a feasibility study that it plans to begin next year. Napralla said the study will assess the environmental impacts, costs and benefits, and optimal design of the proposed project. He cautioned that the study could determine the project does not "pencil out." The study alone is expected to cost upwards of \$5 million to \$6 million, with the corps funding up to \$1.5 million. Wan notes that the port does not have taxing powers and funds operations with revenue bonds, supported by lease revenue from terminal operators and other businesses in the port.

Assuming the turning basin project is approved and funds are appropriated, the project would probably be built and "go live" in the late 2020s, Napralla said.

While Oakland is unusual among U.S. ports in that outbound containers often exceed inbound containers, a longtime goal of



the port has been for a carrier to make Oakland a first inbound port of call on at least one transpacific services.

Wan says the port believes the "the elements are there for first call," pointing to companies like Tesla and others that are building manufacturing and distribution areas in Northern California and Nevada.

He says there is heavy investment in distribution and warehousing facilities around Reno and that "the natural port for that is the Port of Oakland."

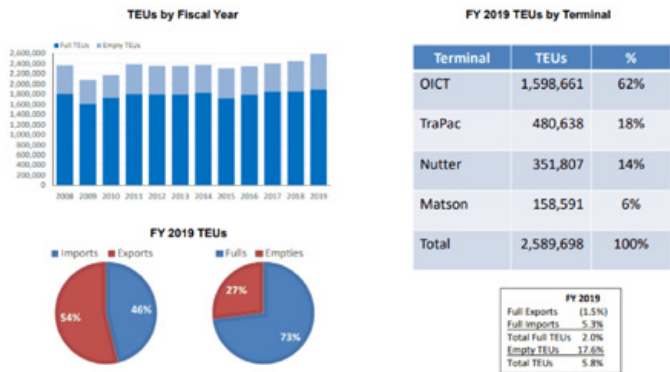
"If the railroads could help us in terms of making that connection between us and Reno, I think there is lots of business to be had, lots of money to be made."

As head of the Port of Oakland, Wan also oversees Oakland International Airport and the port's commercial real estate holdings, which include Jack London Square, an entertainment district that abuts the eastern end of the port. In November, plans were announced for a huge new [food hall](#) at Jack London Square.

That end of the port is the location of the Charles P. Howard

Unaudited, Preliminary Numbers – Subject to Change

The Seaport moved a record 2.6 million TEUs in FY 2019, a 5.8% growth from the prior year.



Port of Oakland saw record container volumes in the fiscal year that ended June 30. (Source: Port of Oakland)

Terminal, formerly used by Matson Navigation before it relocated operations to another terminal further west on the Oakland Estuary.

The Oakland Athletics have proposed building a new baseball stadium and 6,000 housing units on the Howard Terminal, which now serves ancillary uses such as storing trucks.

While the port has been negotiating with the owners of the Athletics since 2017, the plan is controversial, with many members of the maritime community believing it is wrong to use scarce waterfront property for non-maritime uses, that it will worsen traffic congestion at the port and that the stadium will create safety problems by mixing port truck traffic with cars driven by baseball fans.

The proposed ballpark is adjacent to where the inner harbor turning basin is located, so there are also concerns about the effect that lights might have on pilots trying to rotate ships in the basin, as well as small boat traffic that the ballpark might attract.

Wan, whose job involves managing all three of the port's businesses, has an open mind.

"I think the ballpark, in the outer corner of the maritime operations, frankly is much closer to our commercial real estate business, Jack London Square. It can be very much a synergy for economic development, a boost to our commercial real estate portfolios, as well as (a connection) to downtown."

"So it's an exciting project, provided, and I want to underline, provided we could make sure that the fan traffic and the traffic that is going to cause will not interfere with our seaport operation and will be compatible with it."

While the port would lose about 55 acres of land if the ballpark were built, Wan says it is important to keep in mind that when the Oakland Army Base was closed and sold to the city, about 200 to 300 acres of logistics space was added to the seaport.

At the airport, volume grew 1.9% to 13.6 million passengers in the 2018-19 fiscal year, approaching its pre-recession high in 2007 when the airport saw more than 14 million passengers. Wan also says Oakland International is the biggest cargo airport in the San Francisco Bay area due to its use by both FedEx and UPS as regional hubs.

Unlike San Francisco International Airport or Norman Mineta San Jose International Airport, where runways are operating at or near capacity, Wan says Oakland International has used only about 50-60% of its runway capacity and could grow if it builds additional passenger terminal space. The airport produced \$208 million in revenue in fiscal 2018-19, more than the \$171 million generated by the port or \$18 million from the port's real estate holdings.