West Coast Container Traffic Trends

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This bulletin deals primarily with container port traffic on the West Coast of North America. We comment briefly on other indicators of container traffic growth and on crude steel production. Sources for the West Coast data are the port authorities. Crude steel production data is from the Worldsteel Association. We used several trade publications for comments on other trends.

Year-to-Date West Coast Container Volumes

The data behind the West Coast table and charts covers over 99% of total U.S. and Canada West Coast container port traffic. This provides a detailed and timely measure of one of the world's largest container trades.

Overall West Coast trends:

- Increase of 10.4% from the first quarter of 2009
- Changes for individual ports ranged from 20% declines to an increase of almost 90%

Of the U.S. ports:

- The overall increase at 10.1% was slightly lower than that of the West Coast as a whole
- Container volume in the Southern California ports increased about 11%

Prince Rupert again experienced rapid growth:

- Up 87% over the first quarter of 2009
- Share of the West Coast market reached 1.6%

The following table summarizes the container volumes of the main West Coast ports in the first quarter of 2010 and compares them with the first quarter of 2009. The U.S. port traffic includes domestic container movements such as the Alaskan and Hawaiian trades while the Canadian traffic is virtually all international.

West Coast Container Volumes Year to Date March 2009 and 2010

	Container Traffic YTD March			Market Share	
	Traffic	Traffic	Percent	YTD March	YTD March
Port and Region	2009	2010	Change	2009	2010
	(TEU)	(TEU)	(%)	(%)	(%)
Canadian Ports					
Port Metro Vancouver	491,519	524,778	6.8	11.2	10.9
Port of Prince Rupert	41,042	76,860	87.3	0.9	1.6
Total Canada	532,561	601,638	13.0	12.2	12.5
Pacific Northwest					
Seattle	331,788	448,431	35.2	7.6	9.3
Tacoma	379,174	323,612	-14.7	8.7	6.7
Portland	48,634	39,134	-19.5	1.1	0.8
Total Pacific Northwest	759,596	811,177	6.8	17.4	16.8
Oakland	459,637	499,561	8.7	10.5	10.4
Southern California					
Los Angeles	1,527,402	1,648,678	7.9	34.9	34.2
Long Beach	1,091,468	1,264,713	15.9	25.0	26.2
Total Southern California	2,618,870	2,913,391	11.2	59.9	60.4
Total USA	3,838,103	4,224,129	10.1	87.8	87.5
Total West Coast	4,370,664	4,825,767	10.4	100.0	100.0

For the coast as a whole, container port traffic increased from about 4.4 million TEU in Q1 2009 to 4.8 million TEU in Q1 2010, or by 10.4%.

In the following two pages, we take a closer look at West Coast trends in 2007 to 2010.

Monthly West Coast Container Traffic

We examine below the monthly container volumes from January 2007 to March 2010. These show the evolution of the traffic in detail. The seasonality of West Coast traffic is evident in the data in spite of the major volume drops of 2008 and 2009.

The upper chart presents the monthly container volumes and the lower the year-to-year changes, such as March 2010 versus March 2009.

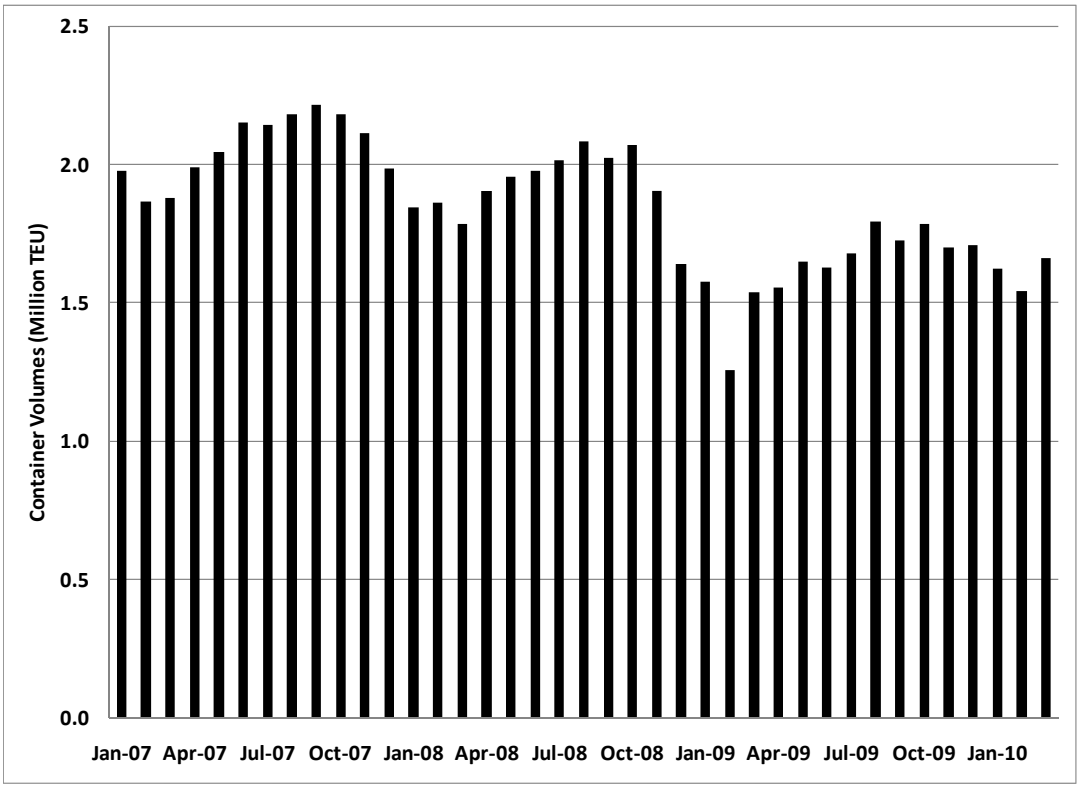
Monthly volumes:

- September 2007 was the peak month at 2.2 million TEU
- February 2009 was the trough month at 1.3 million TEU
- March 2010: 1.7 million TEU
- The monthly trend was generally upward since early 2009 although seasonality influenced the pattern

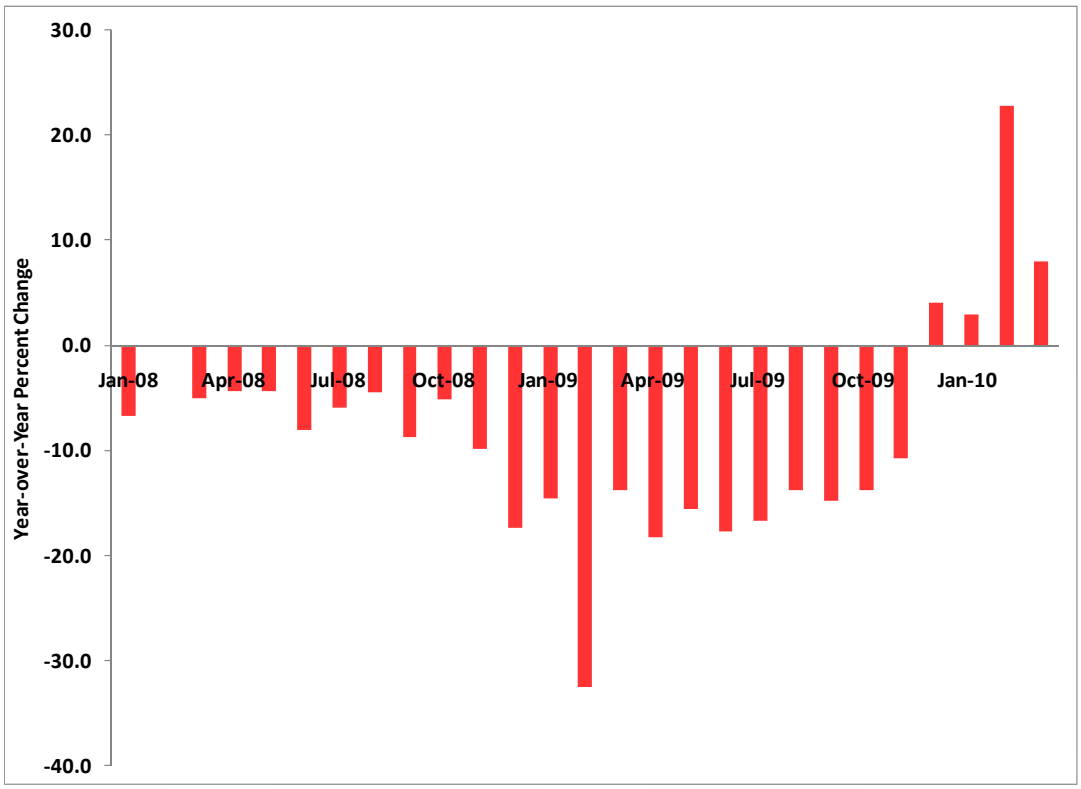
Year-over-year percent changes:

- The changes were increasingly negative through mid 2008 to February 2009
- From February to November 2009, the rate of decline generally decreased
- December 2009 showed the first year-over-year increase in the period
- Growth has continued into 2010 with a particularly large increase in February 2010 due primarily to the very low volume in February 2009

Container Volumes by Month January 2007 - March 2010 (Million TEU)



Year-over-Year Percent Change by Month January 2008 — March 2010



Cumulative Monthly West Coast Container Traffic

This page addresses cumulative container volumes by month. The upper chart shows the buildup by month of annual container volumes for 2007, 2008, 2009 and 2010. The lower chart shows the percent annual change in cumulative container volumes by month for 2008 versus 2007 (in yellow), 2009 versus 2008 (in red) and 2010 versus 2009 (in green).

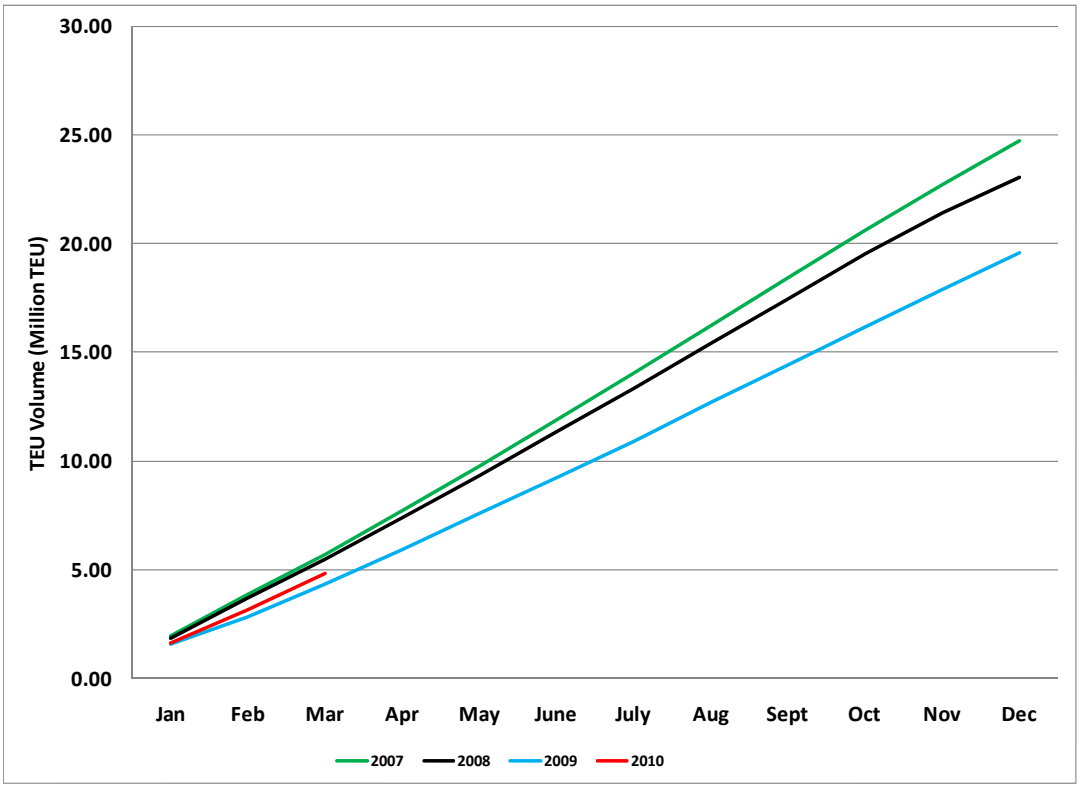
Cumulative West Coast container volumes:

- 2009 volumes were consistently well below those of 2008, which were slightly below those of 2007
- 2010 is showing growth with the line just above that of 2009
- There is a long way to go to get back to the 2007 annual volume of just under 25 million TEU

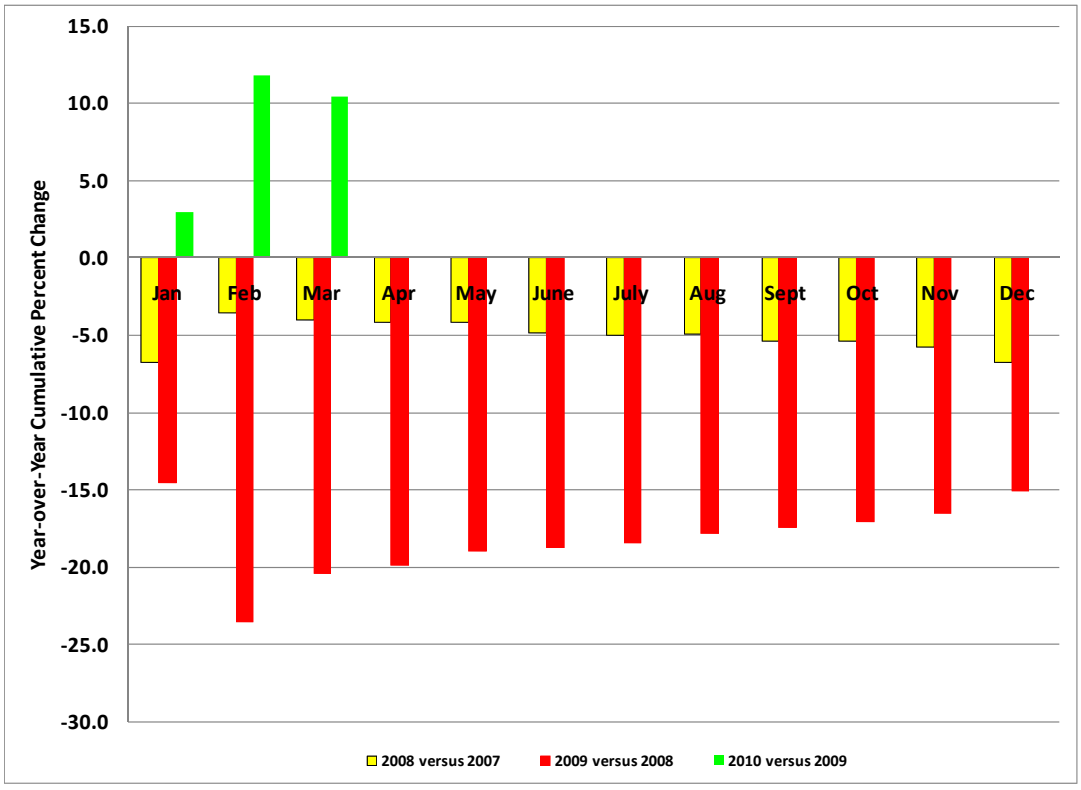
Year-over-year changes in cumulative West Coast traffic:

- Positive in each month of 2010 after declines in each month of 2008 and 2009
- Cumulative growth through the rest of the year will probably fall between 5% and 10%

Cumulative Container Volumes 2007 - 2010 (TEU)



Year-over-Year Cumulative Percent Change by Month 2008 — 2010



Laden West Coast Container Traffic / Container Trends Elsewhere

We again include a summary of the movement of inbound and outbound laden containers for all West Coast ports except Portland because this port does not provide sufficient detail. The data in the table is representative of the West Coast because Portland handles less than 1% of the total traffic.

All ports but Tacoma showed growth. Export growth for the West Coast in total and in several ports exceeded that of imports.

Laden West Coast container volumes:

- Inbound laden container volumes generally determine overall port activity on the West Coast
- Only Oakland has a greater volume of outbound laden containers than inbound laden containers
- Other ports with significant export volumes relative to imports include Vancouver, Seattle and Tacoma
- Laden inbound containers increased by about 12% on the coast and outbound by about 17%
- Export growth was particularly strong in Southern California, Seattle and Prince Rupert

Other trends in Q1 2010:

- Hong Kong has grown quite strongly since December 2009 (see chart)
- China container port traffic increased by about 22% over Q1 2009
- DP World's total container traffic increased by about 15% over Q1 2009
- Northport in Port Klang, Malaysia experienced 26% growth over Q1 2009
- Colombo experienced 27% growth over Q1 2009
- Port of Rotterdam container traffic increased by about 26% over Q1 2009
- Various prognosticators of the world and North American container trade have recently raised their forecasts for 2010

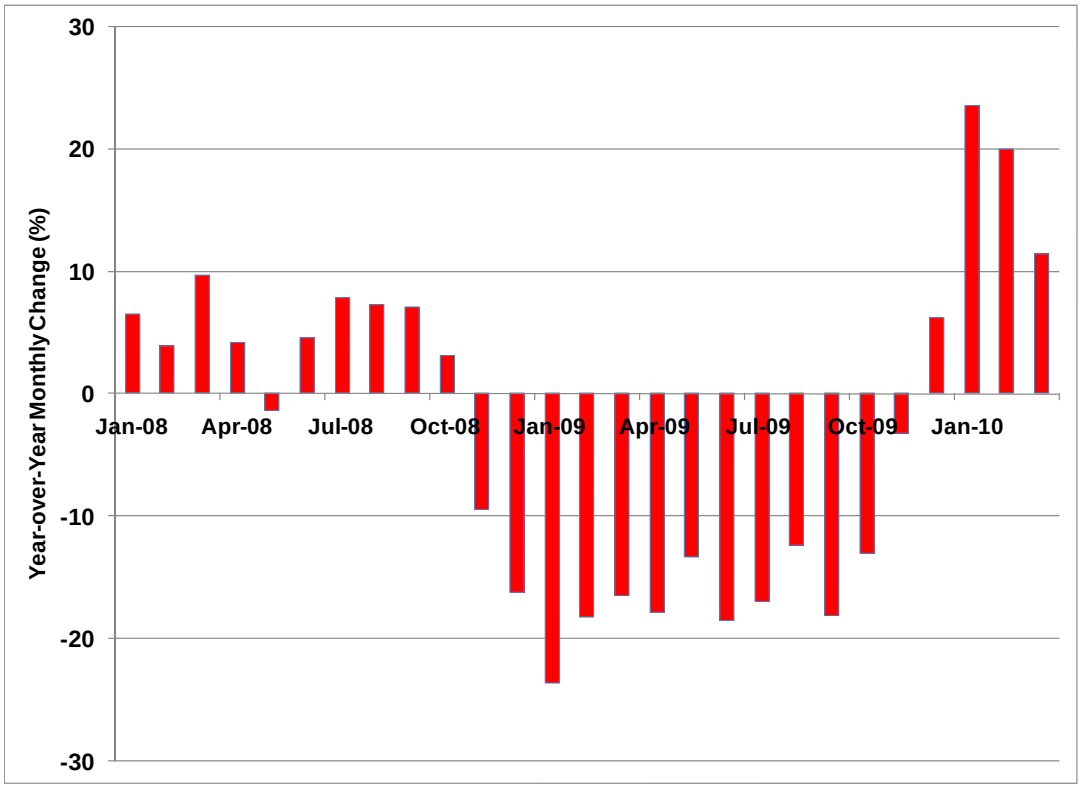
West Coast Laden Inbound and Outbound Traffic Year-to-Date March 2009 and 2010

	Inbound					Outbound				
	Laden Containers		Percent	Percent Empty		Laden Containers		Percent	Percent Empty	
Region and Port	Q1 2009	Q1 2010	Change	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Change	Q1 2009	Q1 2010
	(TEU)	(TEU)	(%)	(%)	(%)			(%)	(%)	(%)
Canadian Ports										
Port Metro Vancouver	229,789	260,016	13.2	7.1	5.5	202,629	212,558	4.9	17.0	14.9
Port of Prince Rupert	24,637	42,585	72.8	0.0	0.0	5,196	12,077	132.4	68.3	64.8
Total Canada	254,426	302,601	18.9	6.5	4.7	207,825	224,635	8.1	20.2	20.9
Pacific Northwest[1, 2]										
Seattle (International)	124,565	183,178	47.1	12.0	18.4	87,937	130,260	48.1	28.7	18.5
Tacoma (International)	123,677	103,532	-16.3			100,685	80,907	-19.6		
Total Pacific Northwest	248,242	286,710	15.5	6.4	12.6	188,622	211,167	12.0	15.8	12.3
Oakland	152,268	172,212	13.1	23.7	23.2	210,148	224,089	6.6	19.2	18.6
Southern California										
Los Angeles	801,097	833,300	4.0	1.1	3.0	355,873	450,986	26.7	50.4	42.9
Long Beach	536,337	632,497	17.9	NA	NA	298,965	366,886	22.7	NA	NA
Total Southern California	1,337,434	1,465,797	9.6	NA	NA	654,838	817,872	24.9	NA	NA
Total USA	1,737,944	1,924,719	10.7	NA	NA	1,053,608	1,253,128	18.9	NA	NA
Total West Coast	1,992,371	2,227,321	11.8	NA	NA	1,261,433	1,477,763	17.1	NA	NA

Notes: [1]Excludes Portland, which does not break out full and empty containers in its statistics. [2]International containers only.
NA = Not available because the ports do not split empty containers into inbound and outbound.

We included one chart to show trends elsewhere: Hong Kong container traffic growth.

Hong Kong Year-over-Year Percent Change by Month 2008 — 2010



Crude Steel

We have again included an indicator for the dry bulk shipping market: crude steel production for the world and China (see chart below). We consider crude steel production a reasonable indicator for the demand for the Capesize ships used to transport iron ore and metallurgical coal.

It is interesting that the Cape component of the Baltic Dry Index is the only one not to exhibit an upward trend in recent months. Perhaps all the deliveries of large bulk carriers has something to do with this.

Crude Steel

Annualized production means 12 times monthly production.

Annualized world steel production 2008—2010:

- Peak of 1.44 billion tonnes in early 2008
- Trough of 1.0 billion tonnes in late 2008
- 2008 Peak (1.44 billion tonnes) reached again in March 2010

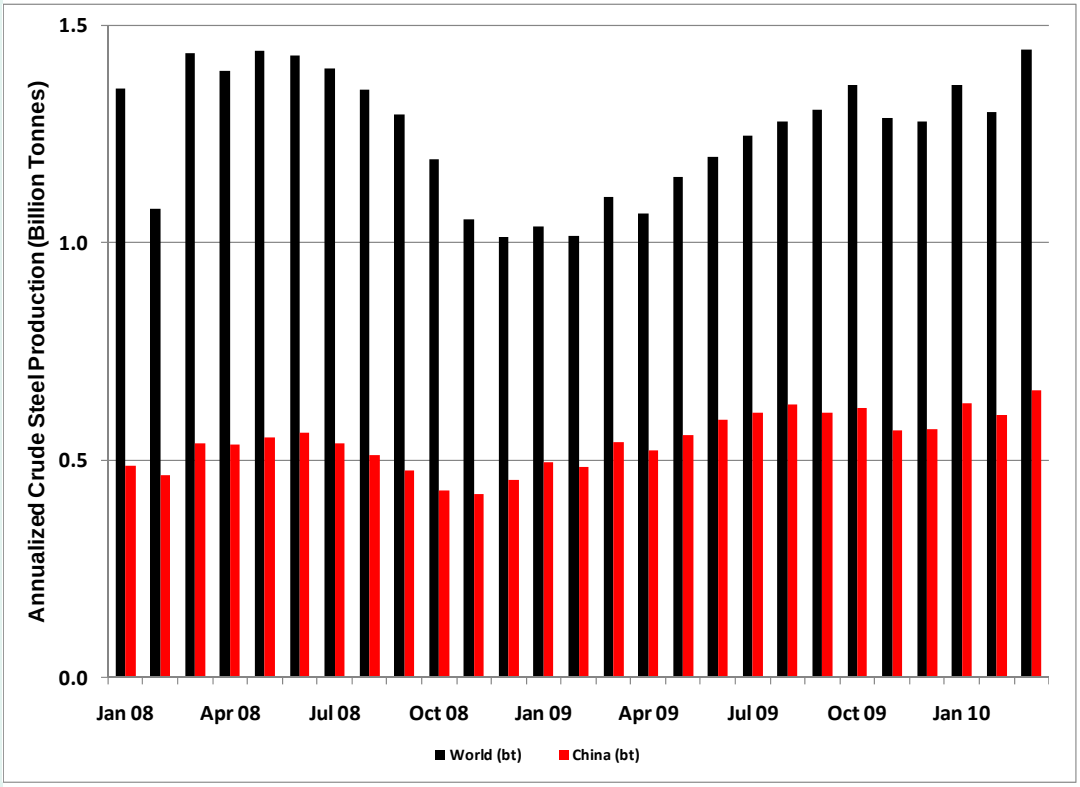
Annualized China steel production:

- 0.4 billion tonnes at the trough in late 2008
- New monthly peak of 0.66 billion tonnes reached in March 2010
- China has apparently built considerable new steel manufacturing capacity in the last two years as part of (or at least as a consequence of) its fiscal stimulus program

The future:

- We are through the major period of transition in the container trade.
- We will publish a few more of these quarterly updates on trade trends.
- But only a few. They are reaching their use-by date.

Annualized Crude Steel Production 2008—2010 (Billion Tonnes)



Closing Thoughts

The obvious transition in the world container trade is coming to a close. We have passed through the major declines and have entered a period of growth. We suspect that this period will continue for at least a number of years, albeit at longer-term growth rates in the major trade lanes that are below those of the past.

The trade collapse was driven by the financial crisis and its economic impact. We came dangerously close to a meltdown of the world financial system, with large current account deficits and surpluses a contributing factor. The direct causes of the financial crisis were the perverse incentives and behaviour in the U.S. financial system, from origination of untenable mortgages to mortgage-based financial derivatives that destroyed a number of investment banks and caused great losses to many institutional investors.

Reregulation of the U.S. and EU financial markets may reduce the risk of similar collapses in future. The ongoing Senate investigations on Wall Street and the Financial Crisis: the Investment Banks, including some 900 pages of Goldman Sachs exhibits, will warm up reluctant legislators to bring about regulatory change.

But legislation and regulation almost always have unintended consequences, and the macroeconomic imbalances are still with us. Who knows what the next triggering event will be and when it will appear…..

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