



West Coast Container Traffic Trends

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This is the second of our bulletins on container port traffic on the West Coast of North America. In this issue, we also present and discuss 2008 container port traffic data for the U.S. and Canada. As in the first edition, we comment briefly on one indicator of the dry bulk trade, crude steel production.

Sources for the West Coast data are the port authorities. The source for the 2007 and 2008 U.S. and Canada container traffic is the American Association of Port Authorities. Crude steel production data is from the Worldsteel Association.

Year-to-Date West Coast Container Volumes

Overall West Coast trends:

- January–June 2009 traffic is off from about 11 million TEU to about 9 million TEU
- The overall traffic decline was about 19%
- Canadian port traffic fell by about 10%

Of the U.S. ports:

- January–June 2009 traffic is off from about 10 million TEU to about 8 million TEU
- The overall traffic decline was about 20%
- Declines by port are generally between 15% and 30%

Again, only the Port of Prince Rupert experienced growth:

- Its January–June 2009 traffic is up significantly over the same period of 2008 because of the addition of a second shipping service in mid 2008
- Volumes in the second quarter of 2009 are above those of the first quarter of 2009 but still below those of the fourth quarter of 2008
- It handles about 1% of the total West Coast volume

The following table summarizes the container volumes of the main West Coast ports in the first half of 2009 and compares them with those of the first half of 2008. The U.S. port traffic

West Coast Container Volumes First Half 2008 and 2009

Port and Region	Container Traffic YTD June			Market Share	
	Traffic 2008 (TEU)	Traffic 2009 (TEU)	Percent Change (%)	YTD June 2008 (%)	YTD June 2009 (%)
Canadian Ports					
Port Metro Vancouver	1,223,390	1,041,379	-14.9	10.8	11.3
Port of Prince Rupert	43,556	97,527	123.9	0.4	1.1
Total Canada	1,266,946	1,138,906	-10.1	11.2	12.4
Pacific Northwest					
Seattle	881,655	690,710	-21.7	7.8	7.5
Tacoma	943,926	802,945	-14.9	8.3	8.7
Portland	123,752	88,884	-28.2	1.1	1.0
Total Pacific Northwest	1,949,333	1,582,539	-18.8	17.2	17.2
Oakland	1,118,478	962,482	-13.9	9.9	10.5
Southern California					
Los Angeles	3,774,479	3,186,033	-15.6	33.3	34.6
Long Beach	3,214,326	2,333,075	-27.4	28.4	25.4
Total Southern California	6,988,805	5,519,108	-21.0	61.7	60.0
Total USA	10,056,616	8,064,129	-19.8	88.8	87.6
Total West Coast	11,323,562	9,203,035	-18.7	100.0	100.0

includes domestic container movements such as the Alaskan and Hawaiian trades while the Canadian traffic is virtually all international.

For the coast as a whole, container port traffic declined from about 11.3 million TEU to 9.2 million TEU, or by about 20%. Most ports experienced declines between 15% to and 30%.

In the following two pages, we take a closer look at West Coast trends in 2007 to 2009.



Monthly West Coast Container Traffic

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

The upper chart presents the monthly container volumes and the lower the year-to-year changes, such as June 2009 versus June 2008.

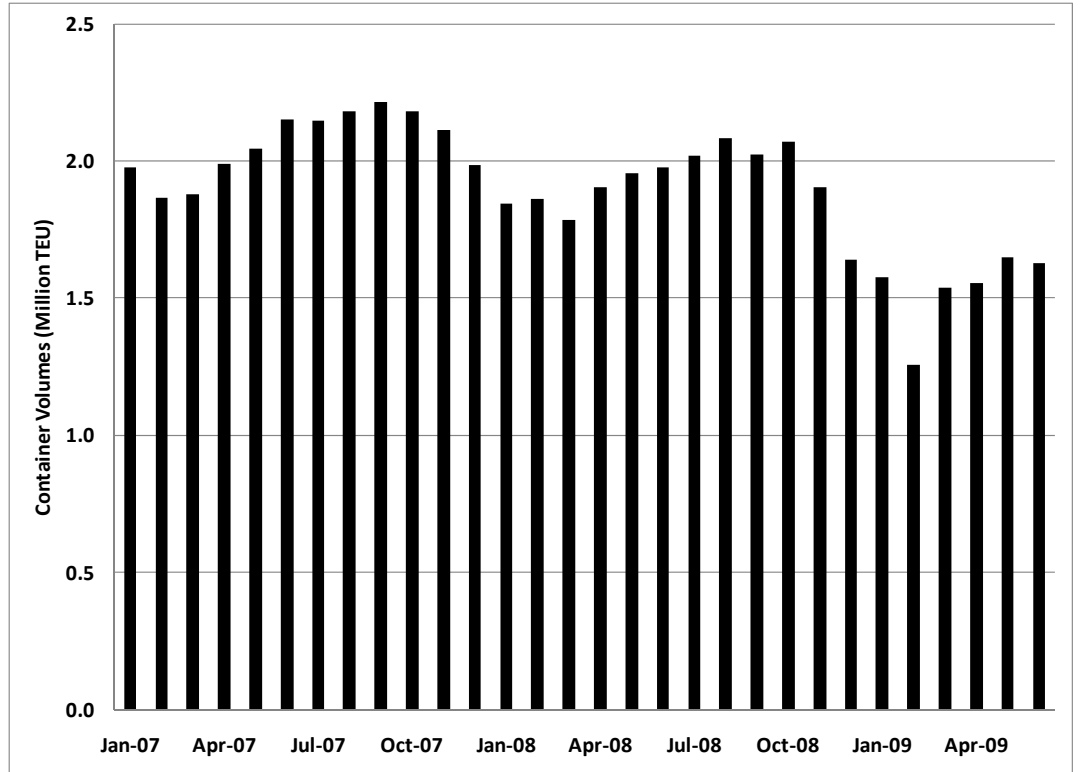
Container Volumes by Month 2007 - 2009 (Million TEU)

Monthly volumes:

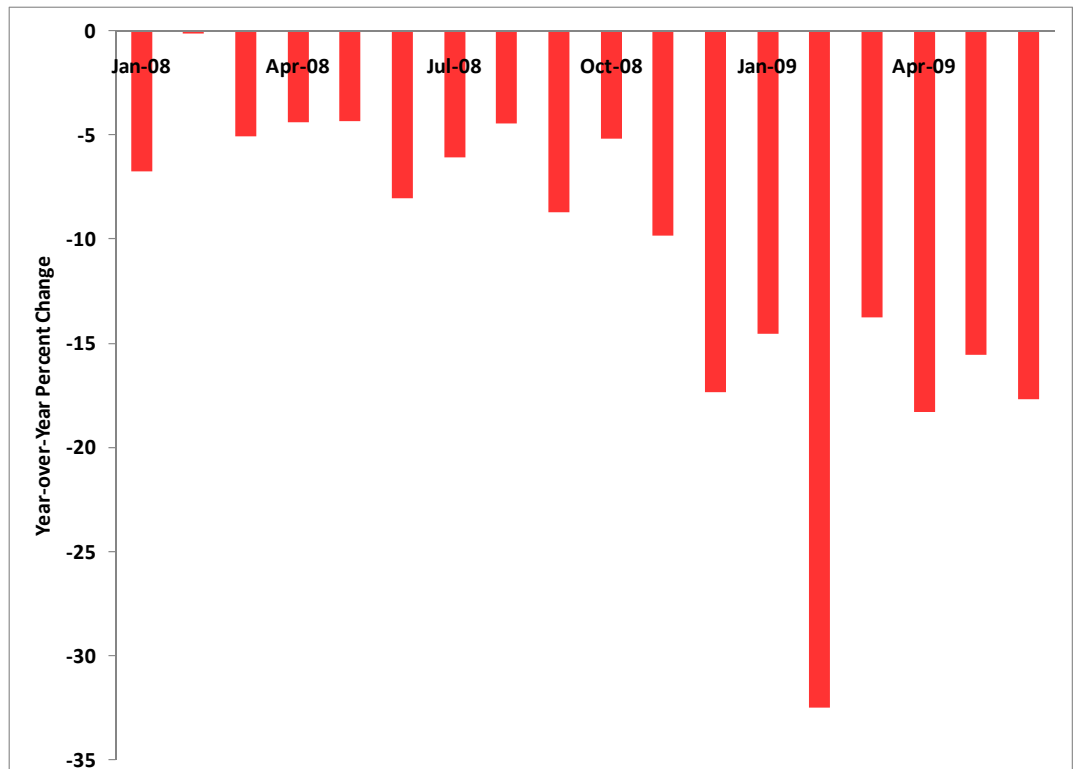
- Following the February 2009 drop, monthly container volumes have increased although June is slightly lower than May
- 2009 volumes are visibly below those of the past two years

Year-over-year percent changes:

- Monthly traffic has typically declined by about 15% from the same month of 2008
- The largest drop – over 30% – was in February 2009



Year-over-Year Percent Change by Month: 2008 – 2009

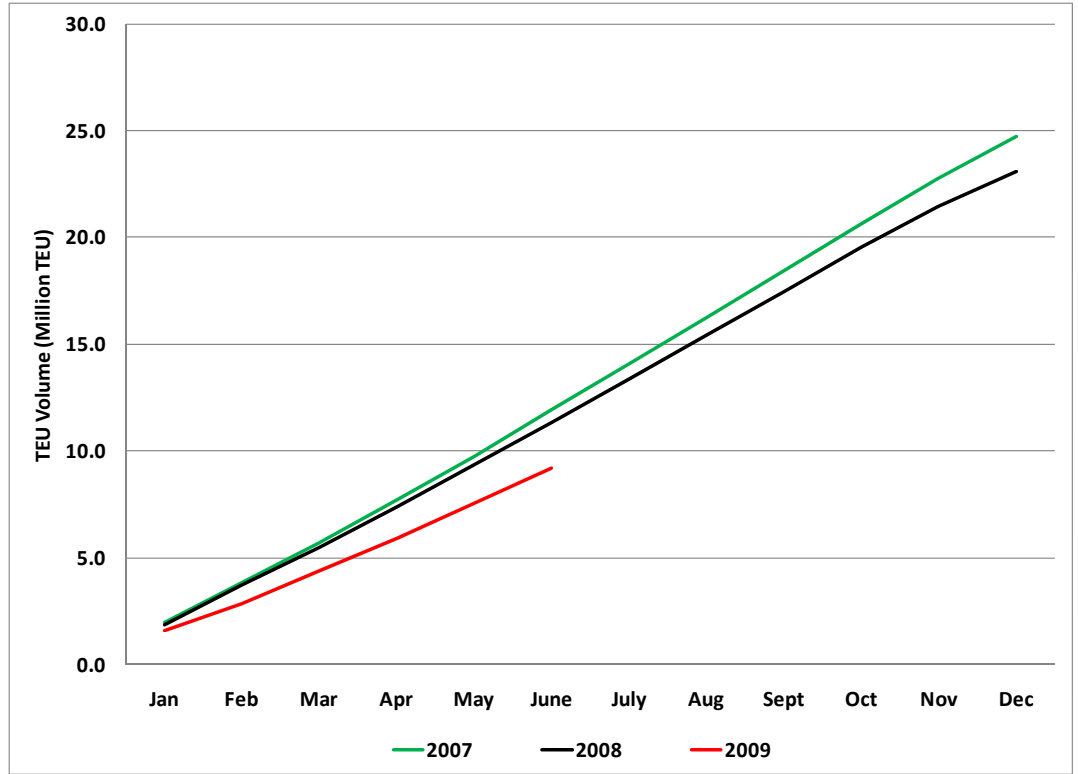




Cumulative Monthly West Coast Container Traffic

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

Cumulative Container Volumes 2007 - 2009 (TEU)



Cumulative container volumes of West Coast traffic:

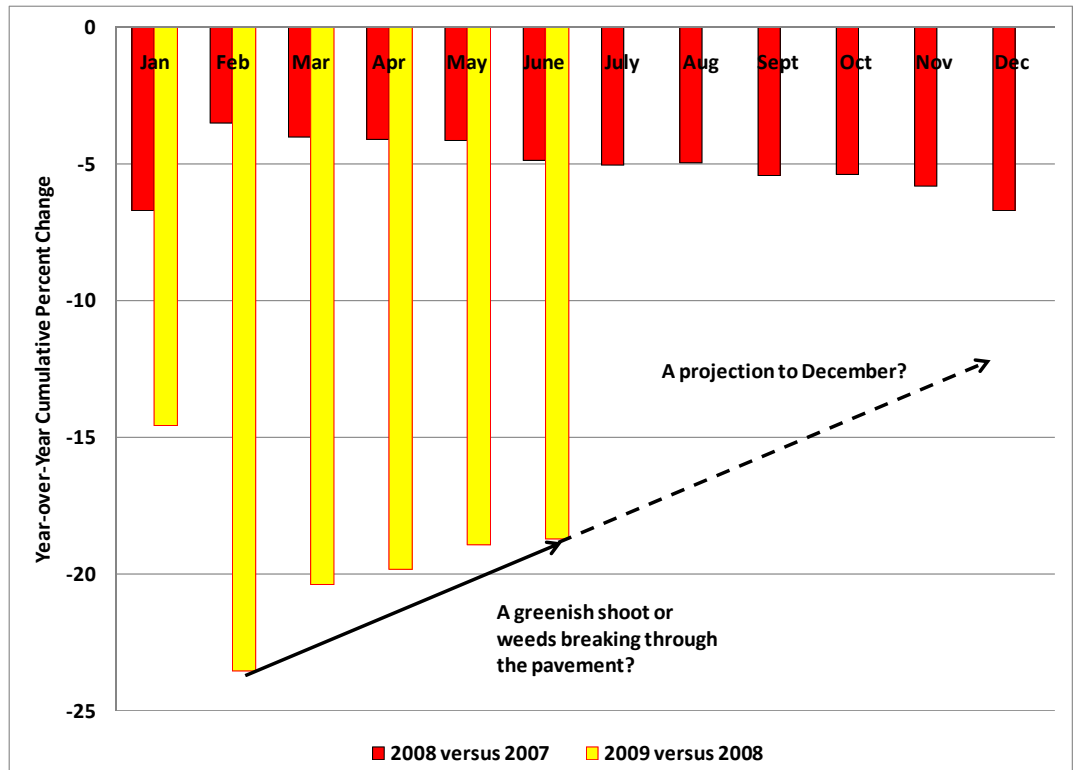
- 2009 volumes are well below the volumes of 2008 and 2007
- The 2009 volume gap is widening

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

- Slowly declining from the major drop in February
- In past years, trends to June were usually a good indicators of the year as a whole
- Not this year; a lot could happen in the second half
- We would guess at an overall decline of 10% to 15% for calendar 2009 versus 2008. But.....

We would remain with a guess of minus 10% for the U.S. and Canada as a whole for 2009.

Year-over-Year Cumulative Percent Change by Month: 2008 – 2009





U.S and Canada Container Port Traffic 2008

This page addresses U.S and Canada container port volumes by coast for 1988 to 2008 and West Coast market shares. It includes all container port traffic of the continental U.S. and Canada. It excludes U.S. traffic in Puerto Rico, Hawaii, Alaska and the Pacific islands such as Guam. As with the West Coast traffic, it includes domestic U.S. container port traffic handled in continental ports such as that to Alaska and Hawaii.

U.S and Canada Container Port Volumes 1988 to 2008

Coast and Country	TEU Volumes				Growth Rates	
	1988	1998	2007	2008	1988-2008 (%/a)	2007-2008 (%/a)
Canada						
West Coast	337,324	865,009	2,512,225	2,674,001	10.9	6.4
East Coast	1,064,789	1,489,668	2,089,845	2,046,666	3.3	-2.1
Total Canada	1,402,113	2,354,677	4,602,070	4,720,667	6.3	2.6
USA						
West Coast	6,317,212	12,065,641	22,361,531	20,393,396	6.0	-8.8
East Coast	5,638,404	9,444,111	16,247,451	16,000,059	5.4	-1.5
Gulf Coast	895,100	1,470,075	2,531,517	2,544,927	5.4	0.5
Total USA	12,850,716	22,979,827	41,140,499	38,938,382	5.7	-5.4
Total Continental Traffic	14,252,829	25,334,504	45,742,569	43,659,049	5.8	-4.6
West Coast Market Shares (%)						
Canada	24.1	36.7	54.6	56.6		
USA	49.2	52.5	54.4	52.4		

Canadian container trends in 2007–2008:

- West Coast up by 6%
- East Coast down by 2%
- Overall growth about 2.5%

U.S. container trends in 2007–2008:

- West Coast down by 9%
- East Coast down by 2%
- Gulf Coast essentially flat
- Overall decline about 5%

Market share of Canadian West Coast ports in total Canada:

- Increased generally steadily from about 20% in 1985 to about 55% in 2008
- Strong growth in market share will probably continue for a few years because of trade growth with East and Southeast Asia
- The market share growth may taper off in the more distant future as trades via Suez increase in importance

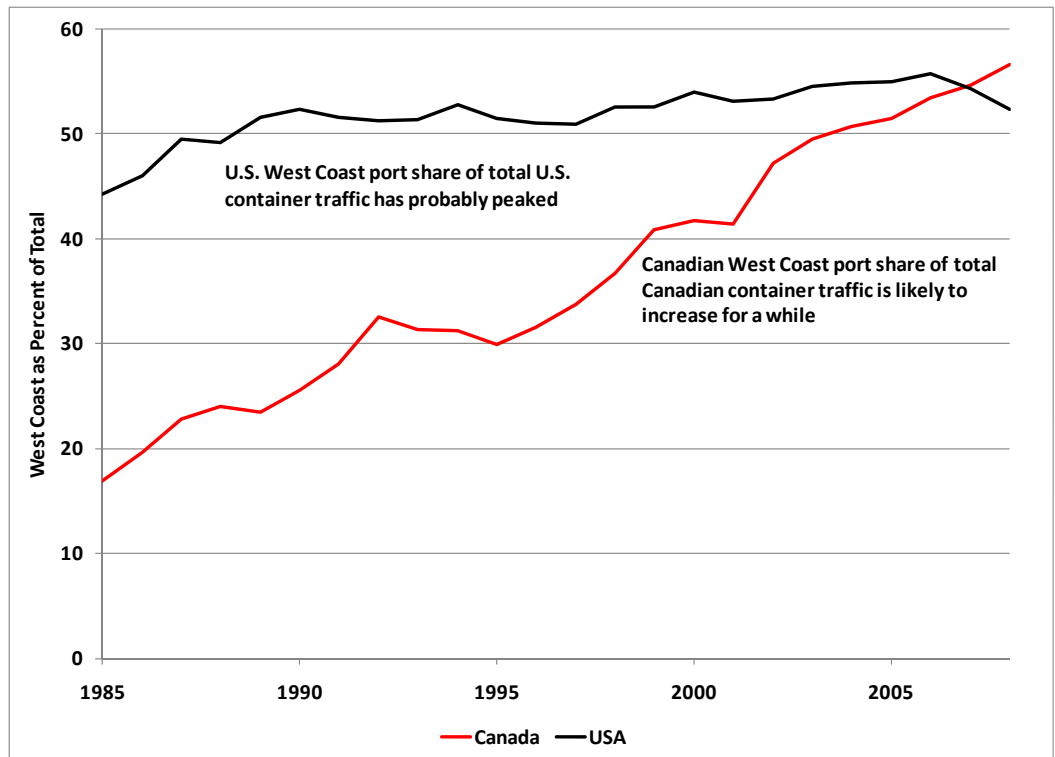
Market share of U.S. West Coast ports in total continental U.S.:

- Increased slowly over 1985 to 2006
- Reached a peak in 2006 and declined by a couple of percentage points to 2008
- Will probably stabilize or decline in future years as all-water routes via the Panama Canal increase
- Expansion of the Panama Canal, in conjunction with rapid trade growth in Latin America, will influence shipping patterns to the U.S.

While total traffic grew at some 6% a year between 1988 and 2008, it fell by about 5% in 2008 from 2007. Overall U.S. traffic fell also by about 5% with the greatest declines on the West Coast. The Gulf Coast ports experienced modest growth. Canadian traffic increased modestly, driven by the West Coast.

After many years in which the West Coast U.S. ports increased their share of the total continental U.S. market, the West Coast share peaked in 2006. The West Coast Canadian ports have increased their share of the Canadian market considerably and the trend appears to continue.

U.S and Canada West Coast Market Shares 1985 to 2008





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Annualized production means 12 times monthly production.

Annualized world steel production 2008-09:

- 1.0 million tonnes at the trough in late 2008
- 1.2 million tonnes in June 2009

Annualized China steel production:

- 0.4 million tonnes at the trough in late 2008
- 0.6 million tonnes in June 2009
- Almost half of world steel production in June 2009
- Much of the production increase is probably related to the construction aspects of China's stimulus program

Capesize market:

- The spot market as measured by the Capesize component of the Baltic Dry Index was volatile, ranging from US\$20,000 to US\$100,000 a day in the first half of 2009
- Period time charter rates were much more stable

A Dry Bulk Market Indicator

We have again included below the indicator we like to follow regarding the dry bulk shipping market: crude steel production for the world and China (see chart). While steel mill inputs include scrap steel, we consider crude steel production a reasonable indicator for the demand for Capesize ships. Crude steel production is unambiguous and readily available.

Chinese crude steel production has increased from a trough of about 400 million tonnes at an annual rate in October and November of last year to about 600 million tonnes in June 2009. Production in the rest of the world has remained relatively constant around 600 million tonnes over this period. China now produces almost 50% of world crude steel.

While we have read articles that consider China is producing more steel than it needs, this is probably not the case. The fiscal stimulus program in China has involved rapid increases in investment and in particular in infrastructure. Many of these infrastructure investments involve large quantities of steel. At some point, China will catch up on its infrastructure and other investments and the country's steel production will stabilize. But this could be years away.

The Baltic Dry Index (BDI) has moved up considerably since its trough around the end of 2008. While all components of the index have increased, the most volatile has been that of Capesize ships. The BDI reflects spot voyage rates, not longer-term charters. Period charter rates have been much less volatile.

China iron ore importers have been buying much of their needs on the spot market as part of price negotiations with ore supplies. This has been a factor behind the BDI trends.

Annualized Crude Steel Production 2008–2009 (Billion Tonnes)

