West Coast Container Traffic Trends

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This is the third of our bulletins on container port traffic on the West Coast of North America. In this issue, we also present data on container traffic in the port of Hong Kong. As in the previous editions, 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 Hong Kong is the Hong Kong Marine Department. Crude steel production data is from the Worldsteel Association.

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.

Overall West Coast trends:

- Cumulative third quarter 2009 traffic is off from about 17 million TEU in 2008 to about 14 million TEU
- The overall traffic decline was about 17.5%
- Canadian port traffic fell by about 11%

Of the U.S. ports:

- Cumulative third quarter 2009 traffic is off from about 15 million TEU in 2008 to about 13 million TEU
- The overall traffic decline was about 18.3%
- Declines by port range between 12% and 30%

Again, only the Port of Prince Rupert experienced growth:

- Its cumulative third quarter 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 third quarter of 2009 are above those of the first and second quarters of 2009 and the fourth quarter of 2008
- It still 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 three quarters of 2009 and compares them with those of same period in 2008. The U.S. port traffic includes domestic container movements such as the Alaskan and Hawaiian trades while the Canadian traffic is virtually all international.

Cumulative West Coast Container Volumes Third Quarter 2008 and 2009

	Container Traffic YTD Sept.			Market Share	
Port and Region	Traffic 2008	Traffic 2009	Percent Change	YTD Sept 2008	YTD Sept 2009
	(TEU)	(TEU)	(%)	(%)	(%)
Canadian Ports					
Port Metro Vancouver	1,901,706	1,604,320	-15.6	10.9	11.1
Port of Prince Rupert	102,788	180,529	75.6	0.6	1.3
Total Canada	2,004,494	1,784,849	-11.0	11.5	12.4
Pacific Northwest					
Seattle	1,307,208	1,120,991	-14.2	7.5	7.8
Tacoma	1,413,856	1,193,531	-15.6	8.1	8.3
Portland	186,835	130,997	-29.9	1.1	0.9
Total Pacific Northwest	2,907,899	2,445,519	-15.9	16.7	17.0
Oakland	1,706,514	1,506,723	-11.7	9.8	10.5
Southern California					
Los Angeles	5,922,597	4,958,375	-16.3	33.9	34.4
Long Beach	4,905,122	3,699,791	-24.6	28.1	25.7
Total Southern California	10,827,719	8,658,166	-20.0	62.1	60.1
Total USA	15,442,132	12,610,408	-18.3	88.5	87.6
Total West Coast	17,446,626	14,395,257	-17.5	100.0	100.0

For the coast as a whole, container port traffic declined from about 17.5 million TEU to 14.4 million TEU, or by about 17.5%. Most ports experienced declines between 11% 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 September 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 2008 and 2009.

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

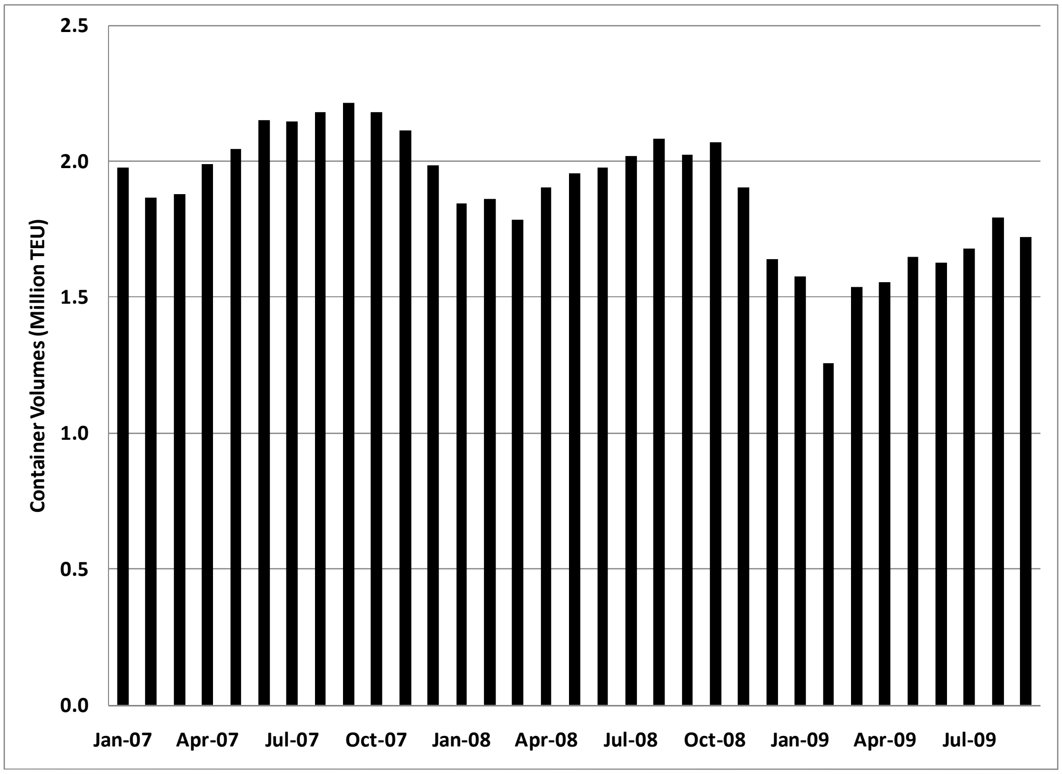
Monthly volumes:

- Following the February 2009 trough, monthly container volumes increased slowly although not consistently in each month to September
- 2009 volumes are visibly below those of the past two years

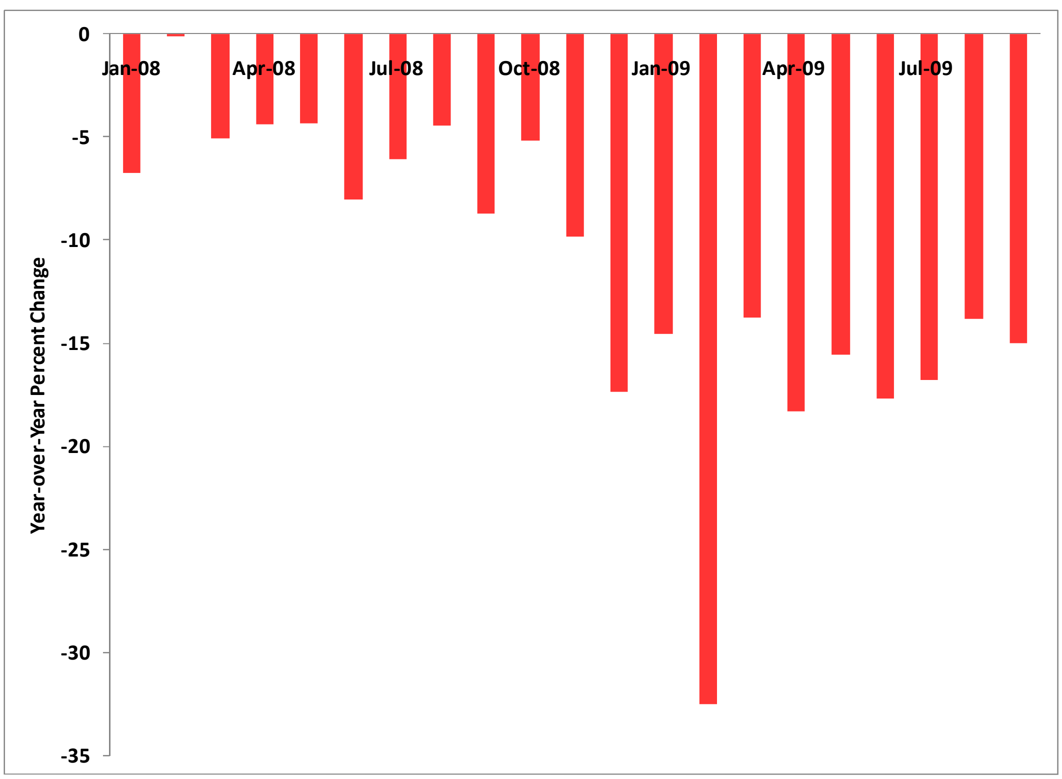
Year-over-year percent changes:

- Monthly traffic has typically declined by about 15% from the same month of 2008 without any major trend
- The largest drop — over 30% — was still in February 2009

Container Volumes by Month 2007 - 2009 (Million TEU)



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 September 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 West Coast container volumes:

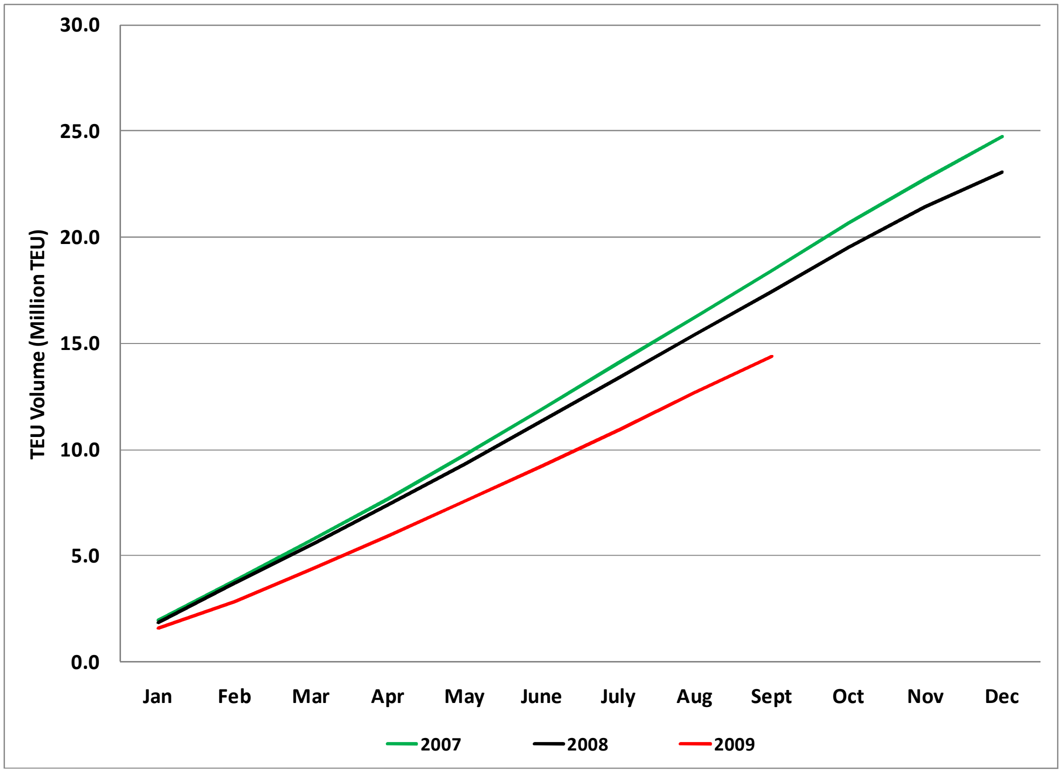
- 2009 volumes are still well below the volumes of 2008 and 2007
- The 2009 volume gap continues to widen

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

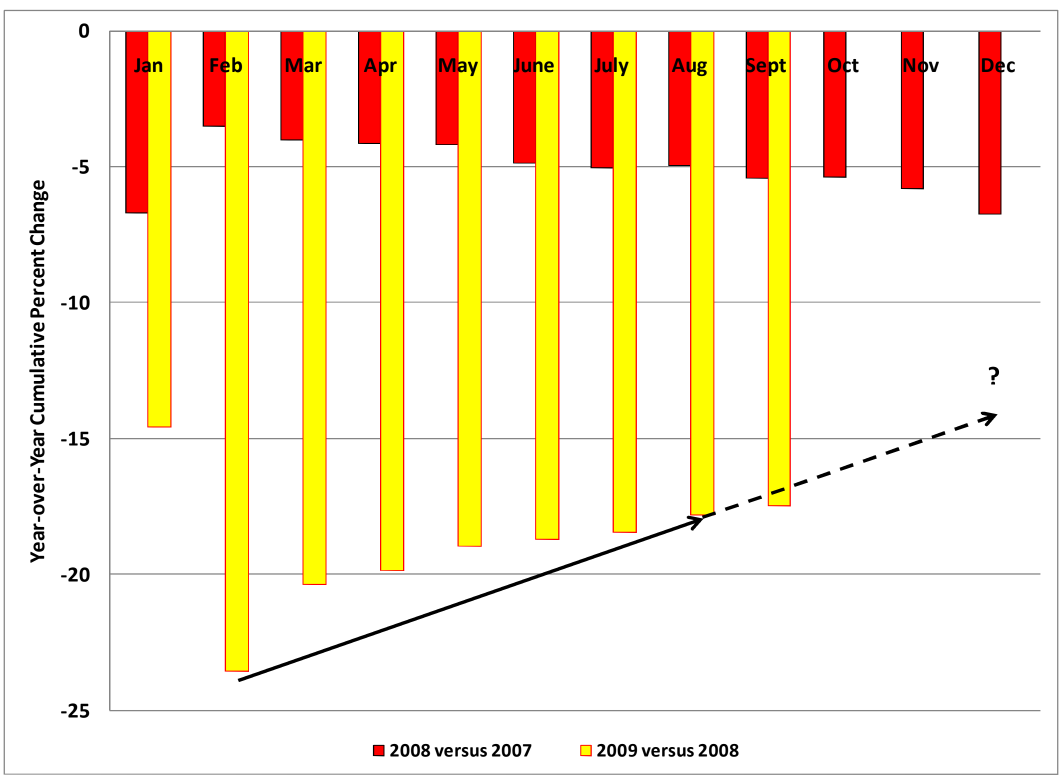
- Slowly declining from the major drop in February but not consistently in each month
- We would guess at an overall decline of 15% for calendar 2009 versus 2008. But…..

We would remain with a guess of minus 10% for continental U.S. and Canada (all coasts) for 2009. Some incomplete data indicated that the decline may be greater, perhaps also about 15%.

Cumulative Container Volumes 2007 - 2009 (TEU)



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



Hong Kong Container Port Traffic Trends 2007 — 2009

We decided to add Hong Kong in this issue to show the impact of the recession on a major Asian port. The Hong Kong traffic figures are those reported by the Hong Kong Marine Department and include lightering operations and river terminals as well as the Kwai Tsing container terminals. While we have not examined the container traffic of the adjacent Pearl River delta area of China, we expect it also has experienced major declines. It is an export area that serves primarily North America and Europe, areas in which imports have dropped considerably.

Data is from Hong Kong Marine Department for all containers (lightering, river trade and Kwai Tsing container terminals). There may be some double counting in the data.

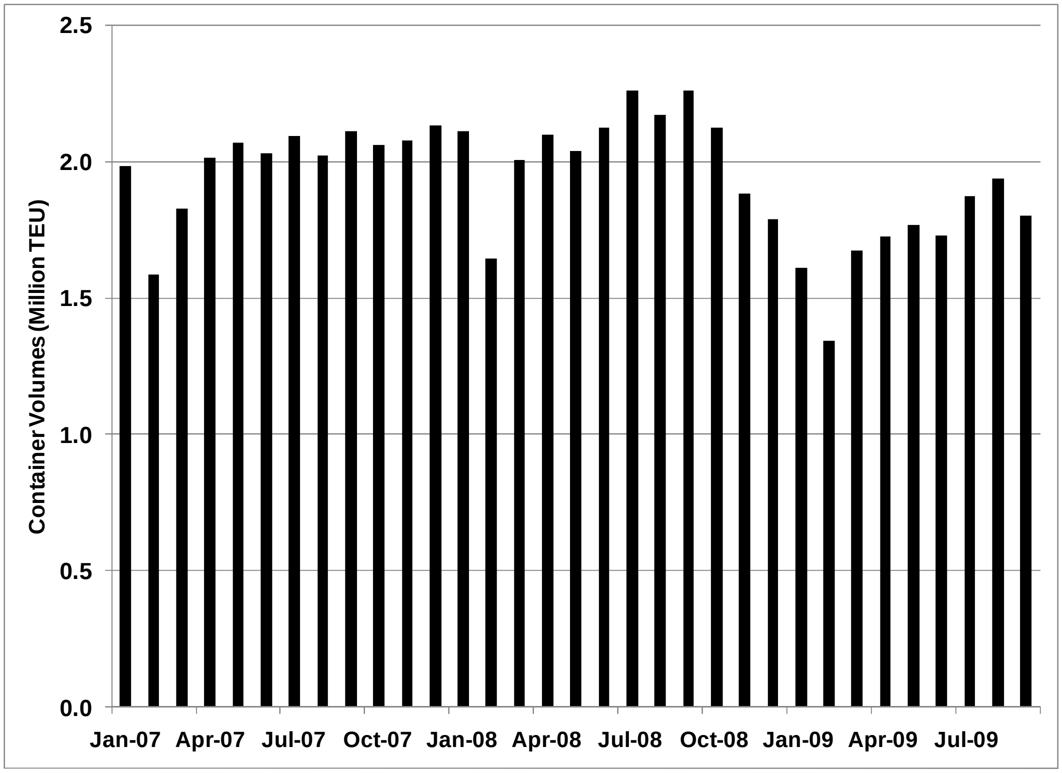
Hong Kong traffic grew modestly (seasonal patterns aside) until October 2008. Then:

- It dropped by about 10% in November 2008 over November 2007.
- The largest monthly decline was in January 2009, by almost 25%.
- Since then, monthly declines have typically been about 15%.

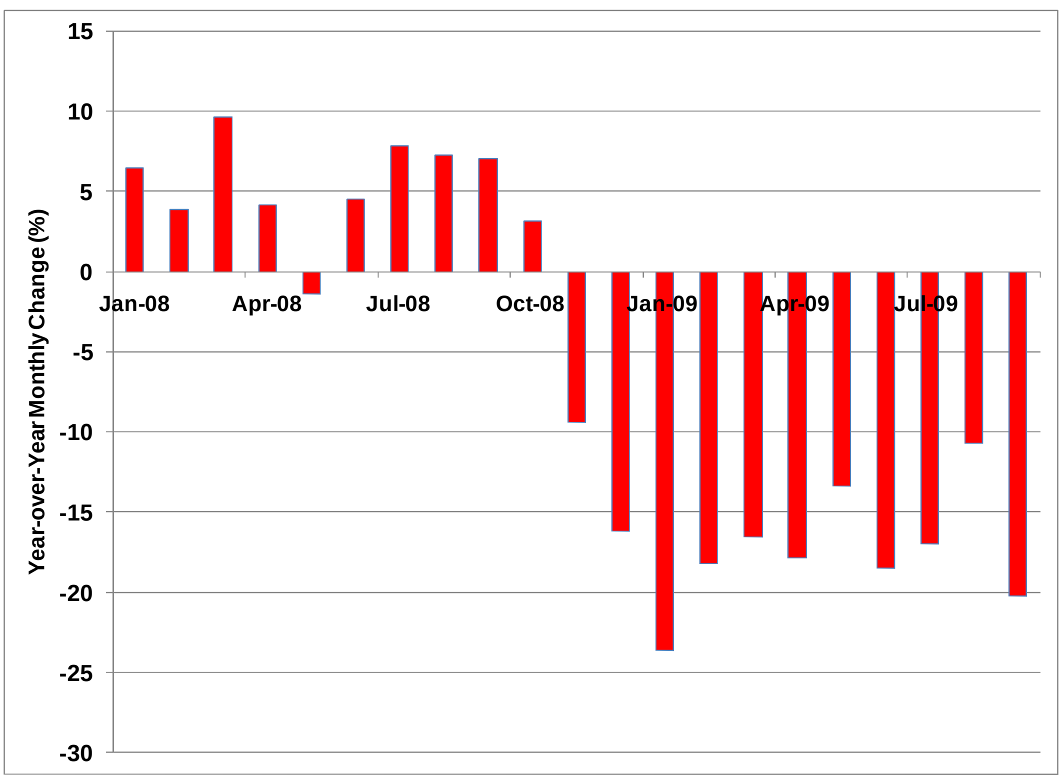
We did not present 2009 cumulative declines for Hong Kong, but they have been consistently in excess of 15%, with year-to-date September off by about 17% from the same period in 2008.

Although we did not investigate container traffic in the Pearl River delta area of China, it probably experienced similar declines. This is not necessarily true of other parts of China because some ports serve quite different markets.

Hong Kong Container Volumes by Month 2007 — 2009 (Million TEU)



Hong Kong Year-over-Year Percent Change by Month: 2008 — 2009



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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
- 1.3 million tonnes in September 2009

Annualized China steel production:

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

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 the Capesize ships used to transport iron ore and metallurgical coal. 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. Since then, it has remained relatively constant with production in September about the same as that in June. Production in the rest of the world increased slowly to reach about 700 million tonnes in August and September. China still produces almost 50% of world crude steel.

Although the fiscal stimulus program in China has focused on steel-intensive areas such as infrastructure, this may have stabilized in the short term albeit at a high level. China will someday catch up on its infrastructure and other investments and the country's steel production will truly level out. But this could be years away.

China is exporting steel and articles of steel. An indication is the recent application by the U.S. of tariffs on steel pipe imports from China.

Annualized Crude Steel Production 2008—2009 (Billion Tonnes)