West Coast Container Traffic Trends

Seaport Group

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

This will be the last of these quarterly newsletters. We began them in 2009 to track the West Coast container trade as it and world trade plunged. There was a strong rebound in the West Coast container trade in 2010 and also in most parts of the world, particularly in Asia. Since most of the interesting changes have taken place, it is time to address other issues.

West Coast Container Volumes 2010

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.

Regarding 2010 versus 2009:

West Coast in total:

- Overall West Coast up 18%

Of the U.S. ports:

- Growth for the U.S. ports was equal to that of the West Coast as a whole
- The strongest growth was in Seattle and Southern California
- The Seattle growth - and Tacoma decline - reflects in part a shift of services from Tacoma
- The Southern California market share was up slightly at the expense of the Pacific Northwest and Oakland

Of the Canadian ports:

- Overall Canadian growth was about the same as the West Coast as a whole
- Prince Rupert again experienced rapid growth, but this year no longer in isolation

The following table summarizes the 2010 container volumes of the main West Coast ports and compares them with the container traffic 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.

	Container Traffic			Market Share	
Port and Region	2009	2010	Change	2009	2010
	(TEU)	(TEU)	(%)	(%)	(%)
Canadian Ports					
Port Metro Vancouver	2,152,462	2,514,309	16.8	11.0	10.9
Port of Prince Rupert	265,223	343,366	29.5	1.4	1.5
Total Canada	2,417,685	2,857,675	18.2	12.3	12.4
Pacific Northwest					
Seattle	1,584,596	2,133,548	34.6	8.1	9.3
Tacoma	1,545,855	1,455,467	-5.8	7.9	6.3
Portland	174,203	181,100	4.0	0.9	0.8
Total Pacific Northwest	3,304,654	3,770,115	14.1	16.9	16.4
Oakland	2,045,211	2,330,202	13.9	10.4	10.1
Southern California					
Los Angeles	6,748,995	7,831,902	16.0	34.5	34.0
Long Beach	5,067,597	6,263,499	23.6	25.9	27.2
Total Southern California	11,816,592	14,095,401	19.3	60.3	61.1
Total USA	17,166,457	20,195,718	17.6	87.7	87.6
Total West Coast	19,584,142	23,053,393	17.7	100.0	100.0

The rebound in container traffic that began at the end of 2009 continued through 2010. For the coast as a whole, container port traffic increased by 18% (3.5 million TEU) over 2009 to reach 23 million TEU.

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 December 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 and the 2010 rebound.

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

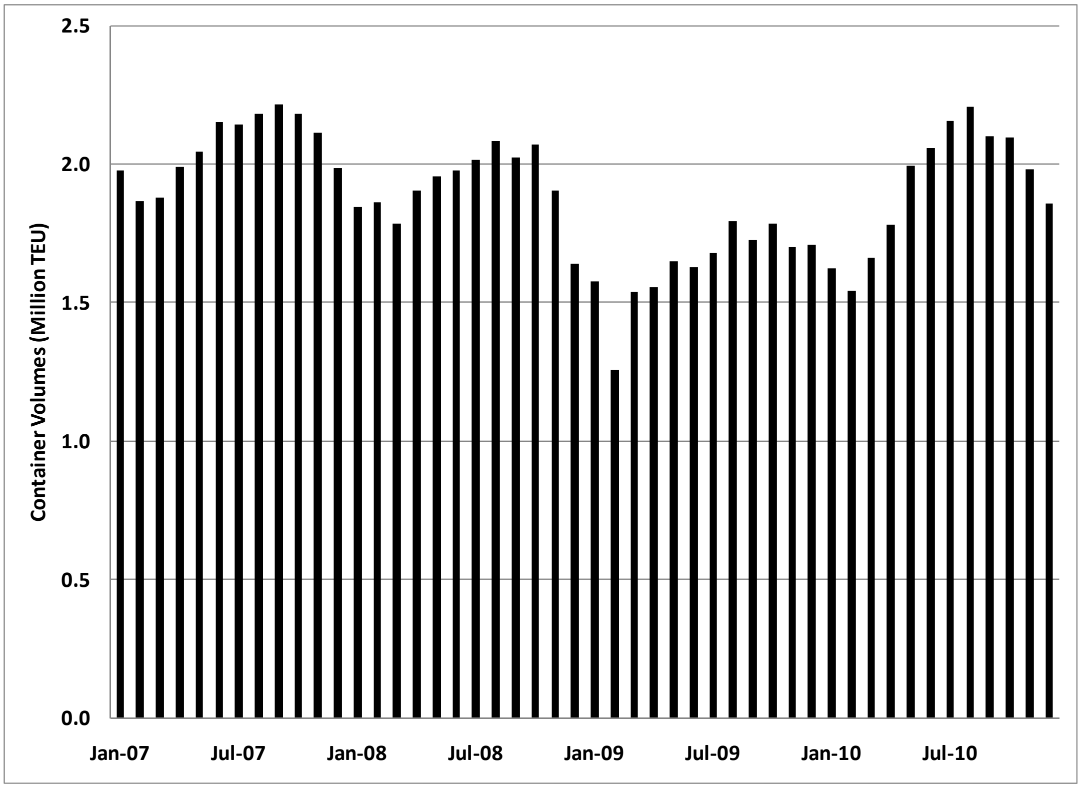
Monthly volumes:

- September 2007 was for some time the peak month in the chart at 2.2 million TEU
- February 2009 was the trough month at 1.3 million TEU
- The August 2010 volume was again 2.2 million TEU, matching the peak in September 2007
- While the monthly trend was upward to August, the decline that began in September continued to December
- This autumn decline was seemingly steeper than a typical seasonal pattern

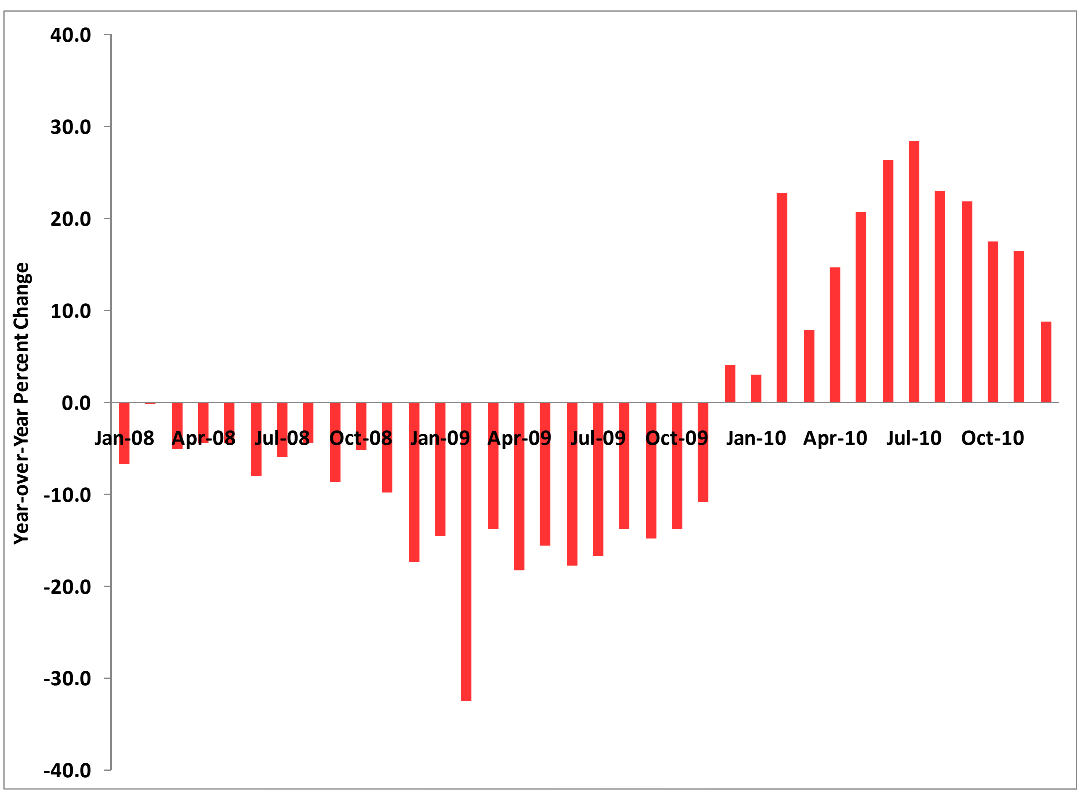
Year-over-year percent changes:

- The changes were increasingly negative through 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
- The brisk growth in the first half of 2010 peaked in July
- The monthly year-over-year increases declined to 9% in December

Container Volumes by Month January 2007 — December 2010 (Million TEU)



Year-over-Year Percent Change by Month January 2008 — December 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). The container volume for 2010 reached the 2008 level by year end.

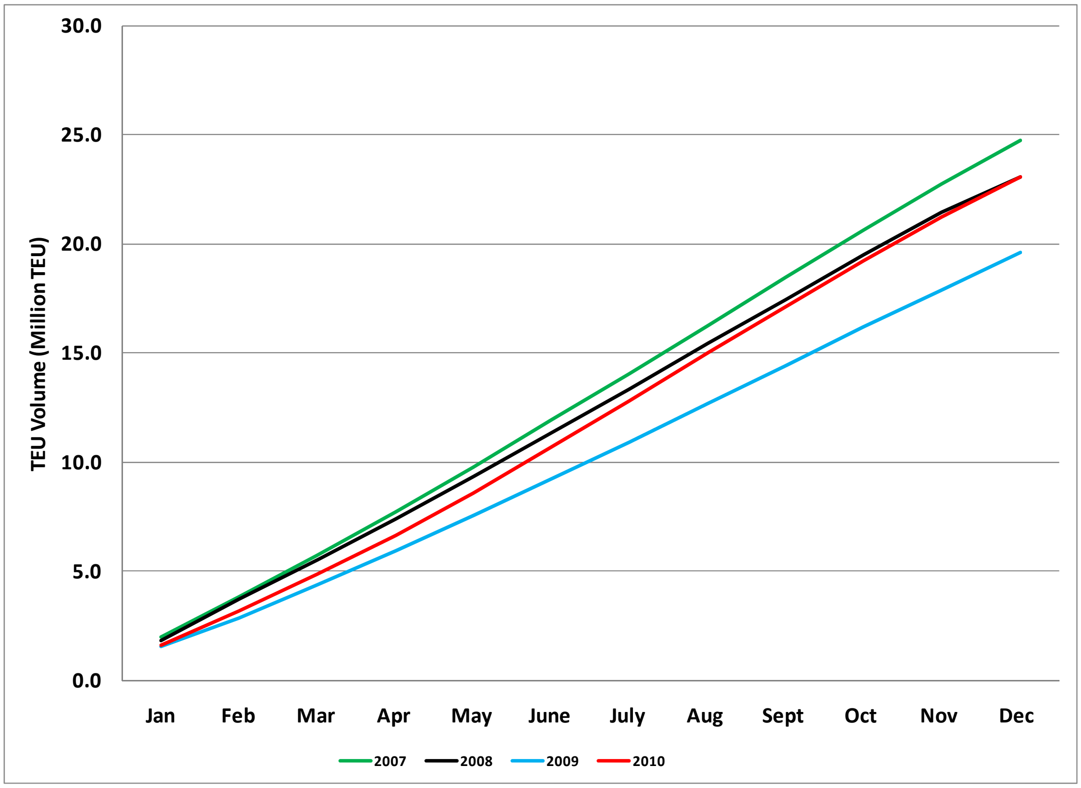
Cumulative West Coast container volumes:

- 2009 volumes were consistently well below those of 2008, which were slightly below those of 2007
- 2010 was just below that of 2008 until late in the year when it reached 2008 levels
- There is still a way to go to get back to the 2007 annual volume of just under 25 million TEU

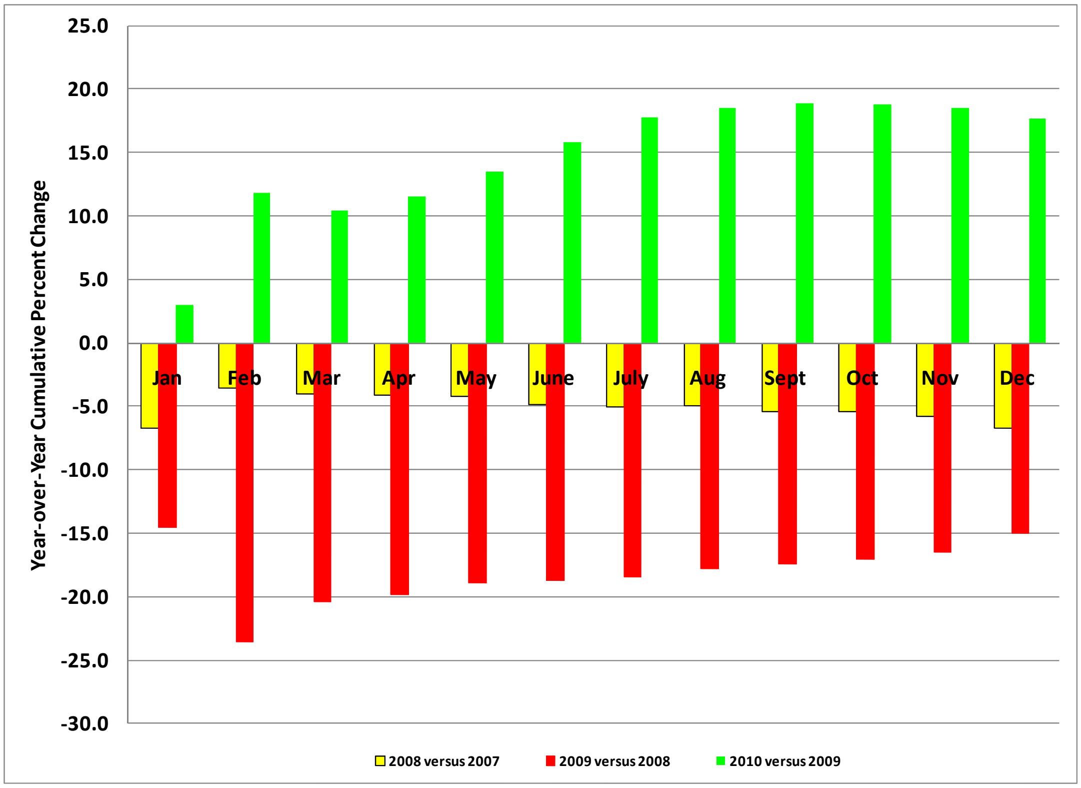
Year-over-year changes in cumulative West Coast traffic:

- Positive in each month of 2010 after declines in each month of 2008 and 2009
- Growth for the year was about 18%, as in the table on the first page

Cumulative Container Volumes 2007 - 2010 (TEU)



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



Containers in the Longer Term

The West Coast container trade certainly rebounded in 2010. The tapering off of growth since mid year may be just an enhanced seasonal pattern, more dramatic than past years but still seasonal, or it may indicate that growth has slowed down.

World container traffic typically grew at some 10% a year over longer periods for more than 30 years, well in excess of gross domestic product and trade growth. It began as penetration of existing break-bulk trades among developed countries and then progressed to Asia via rapid industrialization of a series of countries. It has continued in recent years as container shipping expanded to all areas of the world and as China became a major exporter of everything. Container growth was also to some degree physical as globalization spread: components in a container shipment of final goods in many cases had been moved around several times in containers before reaching the point of final assembly.

We would hold to our earlier observations that recessions caused by financial crises tend to last about 7 years (perhaps 7 years from 2007 this time) and our earlier prognostications that world container traffic growth will be lower in future than in the past, perhaps 7% to 9% a year.

For the past decade, we have also been living in a period of economic and political uncertainty and volatility. Trade grows more predictably in stable times.

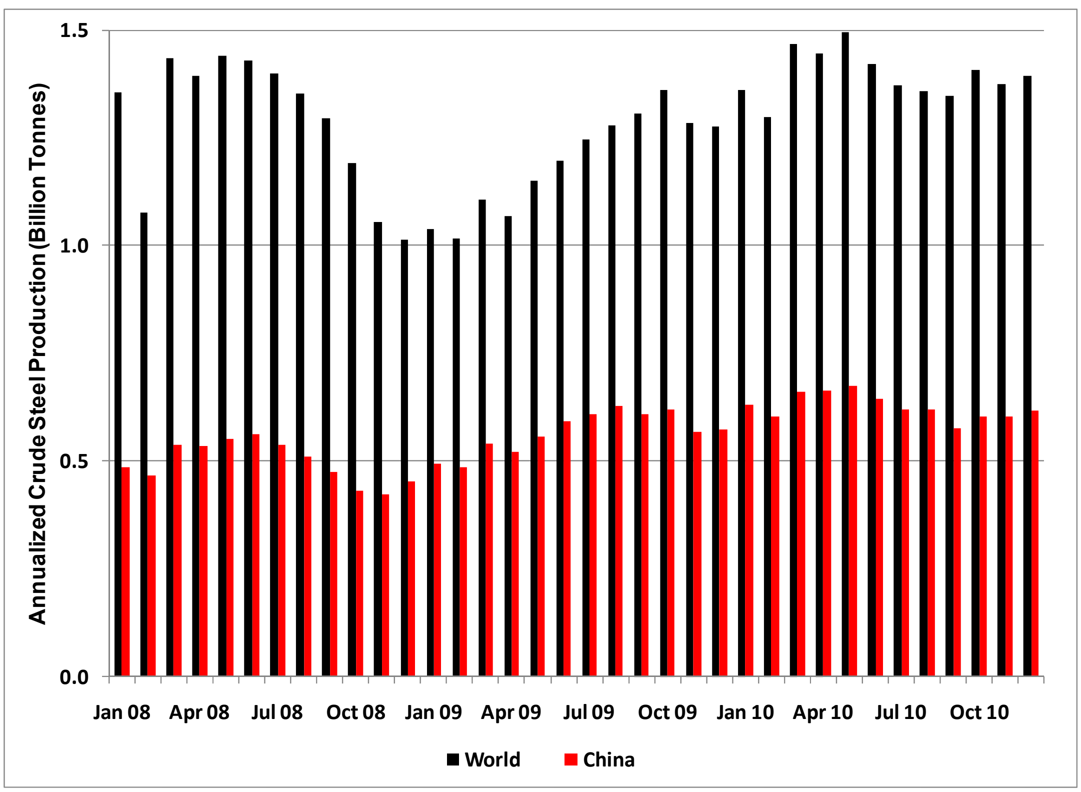
World Steel Production

We include below our token indicator of bulk shipping demand: world and Chinese crude steel production. Both have been trendless in recent months and below the peak levels of earlier this year. They were only slightly below this peak and comparable to the levels in mid 2008.

But the Baltic Dry Index (BDI), which reflects spot freight rates for several typical dry bulk trades, has plunged from about 3,000 in September 2010 to about 1,050 in early February 2011 (the 2008 trough was about 700). The impact on the large Capesize ships that carry only iron ore and coal has been particularly brutal, with recent spot time charter rates of some US$5,000 a day.

When there is a supply disruption in a dry bulk supply chain, there is usually a spike in the bulk shipping market and the BDI as ships queue up at the point of disruption. But not this time; as floods in Queensland closed coal mines, railroads and ports, the BDI continued to fall….

Annualized Crude Steel Production 2008—2010 (Billion Tonnes)



Container trends elsewhere in 2010:

- Container port traffic in the ports of Southeast Asia was up by about 11% in 2010 with most of the ports up by about 10%
- Traffic handled by DP World in its container terminals, including new terminals that opened in 2010, increased by about 14% (UAE up by 4%)
- Halifax (Canada) up by 26% and Savannah (USA) by about 20%
- Forecasts by others for world container trade growth in 2011 and beyond are typically 5% to 8% a year, well below the 10% a year typical prior to the financial crisis
- Maersk, for example, is predicting that global container trade may grow by 8% in 2011

Current and Recent Seaport Group Projects

Container Terminal Operations Analysis, SPRB, Colombia

Seaport is carrying out an operations analysis to identify bottlenecks, check organizational capabilities and understanding of mixed operations, create an overview of the operations and create an action plan for change. The outcome includes recommendations for an improvement plan and the next steps for optimization, and modified standard operating procedures, job descriptions and organizational changes to the operations department. This assignment is required in order to ensure that the organization and processes are streamlined for the current and future straddle carrier operation.

Feasibility Study of Expanding the Port of Tanjung Priok, Pelindo II, Indonesia

Pelindo II (Indonesia Port Corporation II) appointed Seaport to undertake a range of studies that examined the market for the port and development options. Starting with an initial review of broad development options Seaport identified one specific site of particular interest for major expansion of the port. Pelindo II extended the work to include a detailed feasibility study of port development that should add 2 to 3 million TEU of container handling capacity in the next five years and provide further expansion options for subsequent years.

Identification of Port and Railroad Infrastructure Projects, US TDA, Angola

Seaport conducted a definitional mission for US Trade Development Administration (US TDA) to identify projects that provide opportunities for US aid and private investment in construction of infrastructure, equipment supply, training, introduction of new technologies and operational improvements. The assignment involved analysis of local and regional trade, port competitiveness, levels of service and growth, rail traffic prospects and the status of new rail construction. Emphasis was on container terminal operations in Luanda and Lobito, port linkages with truck and off-dock operations, and port - rail infrastructure adequacy.

Operations Management Support During Implementation of TOS, Namibia

As a result of Namport’s migration from General Cargo Operating System (GCOS) to SPARCS N4, the port required revision of Standard Operating Procedures (SOPs), Job Descriptions (JD) and the organization of the operations department. In this connection, Seaport assisted with revising the SOPs and JDs and suggested organizational changes to prepare for the new working practices and streamlined processes implemented in connection with the new TOS.

Marketing Plan and Strategy for Penang Port, Penang Port Sdn Bhd, Malaysia

Penang Port is adding major new container handling capacity. Looking for a paradigm shift in their market activities, they appointed Seaport to assist in developing their marketing team. Seaport led a market development initiative using existing staff, implemented a capability development program and upgraded the customer relationship management systems of the port. Particular successes of the work were to move the port towards emphasizing the importance of their relationships with container shipping lines and the development of a formal process for creating and implementing business capture plans. Seaport also prepared a container traffic forecast for Penang Port.

Pre-feasibility Study for Container Terminal, American President Line, Panama

American President Line appointed Seaport to undertake a pre-feasibility study for a container terminal in Panama. The proposed terminal has 650 m of quay length and 60 ha of supporting container storage. It is accessed through a 1,800 km long approach channel cut through coral and capable of accepting super post-Panamax container ships. The study included cost estimates and due diligence reviews of the site.

Other projects

- Negotiations, migration and implementation support of terminal operating system (TOS), PD Ports, UK
- Capacity constraint analysis and evaluation, Scandia Container Terminal, Sweden
- TOS supplier negotiations, Bangladesh
- Management coaching, Port of Gothenburg, Sweden
- Development of national port master plan, Government of Indonesia, Indonesia
- Concession agreement review, Port of Gothenburg, Sweden
- Evaluation and recommendation of IT system for global terminal operator, The Netherlands
- Management consultancy towards organizational changes, Port of Gothenburg, Sweden
- Review of container terminal operations, design and optimization, CMA-CGM, Cai Mep, Vietnam
- Design of river container terminal, RPL, Bangladesh
- Coaching on TOS implementation, City Deep Terminal, Transnet, South Africa

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