



October 2022

September TEU Tallies: The Forecasts vs. the Early Returns

As our innumerable subscribers know, we don't make guesses as to how many containers will arrive or depart the North American seaports we monitor. We wait, sometimes with excruciating patience, for those ports to inform us of their TEU tallies. Unfortunately, not all of them prioritize promptness. The Maryland Port Authority and the Port of Jacksonville (JaxPort), for example, did not get around to reporting their July container traffic figures until the final week of September, well after most other ports had already posted their August TEU counts. That was also well after our deadline for publishing last month's newsletter.

Although we don't forecast, others do. Sometimes these forecasts are fairly accurate, but sometimes...well, you pays your money.

Descartes Datamyne, one box counter often cited in the *Wall Street Journal*, released an estimate a couple of weeks ago stating that some 2,215,731 TEUs would be imported through U.S. ports in September. That would be down 12.4% from August and down 11% from a year earlier. Meanwhile, the latest projection from the National Retail Federation's Global Port Tracker has 2.07 million TEUs arriving in September, which GPT says would be down 3.0% from a year earlier.

Then there's the estimate that PIERS has ventured for this September. As reported in the *Journal of Commerce* on October 14, PIERS believes that container imports from Asia through both the Ports of Los Angeles and Long Beach and the Port of Oakland increased by 2.5% in September but fell 10.4% at the Northwest Seaport Alliance Ports of Tacoma and Seattle. By contrast, PIERS contends, Asia imports increased by 14.3% at the Port of New York/New Jersey, 11.1% at the Port of Savannah, 34.2% at the Port of Houston, and 45.0% at the Port of Charleston.

What seems odd about the PIERS outlook is that, as we shall presently observe, the California ports all have by now reported rather significant September declines in their inbound TEU traffic. Mind you, these same ports currently

rely on Asian countries for about 86% of their containerized import tonnage. So, statistically speaking, it's very hard to have your inbound trade from Asia edge up while your overall inbound traffic has fallen precipitously. Similarly, around 63% of Savannah's containerized import tonnage now comes from Asia. If the Georgia port truly saw an 11.1% bump in its imports from Asia, its 9.8% drop in inbound loads in September would require that its imports from the rest of the world had largely dissipated.

So ask us again why we don't indulge in forecasting.



Photo courtesy of Port of Long Beach

Now on to what we are hearing from the ports about their container flows in September.

As anticipated, September was a languorous month at the Ports of Los Angeles and Long Beach. Inbound loads at the **Port of LA** (343,462 TEUs) were down 26.6% year-over-year. Outbound loads (77,680 TEUs) were up by 2.6%. Total container traffic amounted to 709,873 TEUs, off by 21.5% from the previous September. It was also the lowest volume of container traffic the port has seen in any September since 2011, but perhaps most noticeably, it was 31,950 fewer TEUs than Long Beach handled that same month. Still, YTD, LA remains the nation's busiest container port with total traffic amounting to 7,864,514 TEUs, down by 3.8% from last year.





September's TEU Tallyies Continued

Across the road at the **Port of Long Beach**, inbound loads (342,671 TEUs) sagged by a comparatively modest 7.4% from last September. But they were also at their lowest ebb for any single month since June 2020. Outbound loads (112,940 TEUs) were up 1.9% from a year earlier. Total container traffic through the port in September came to 741,823 loaded and empty TEUs, off just 0.9% from September of last year. YTD, Long Beach has handled 7,342,383 loaded and empty TEUs, up 3.5% from the first three-quarters of 2021.

In tandem, the two San Pedro Bay ports sustained an 18.2% fall-off in inbound loads from last September, while recording a 2.2% gain in outbound loads. A total of 1,451,696 TEUs passed through the two ports in September, 13.1% below last September's volume. Through the first three quarters of 2022, the two ports have handled 15,206,897 loaded and empty TEUs, 64,869 fewer TEUs than they had processed at this point in 2021.

The **Port of Oakland** saw the number of inbound loads fall to 77,803 TEUs, a 4.9% year-over-year decline but also the fewest inbound loads the port had handled in any September since 2016. Outbound loads from the Northern California port amounted to 54,756 TEUs, down 12.0% from a year earlier. It was also the second lowest number of outbound loads the port has handled in any single month since February 2015, when a labor contract dispute slowed the flow of container traffic through the port. Outbound empties rose 38.3% over a year earlier to 37,660 TEUs. The overall number of loads and empties in September totaled 184,729 TEUs, up 1.0% y/y.

Reduced vessel calls continue to affect the numbers at the **Northwest Seaport Alliance Ports of Tacoma and Seattle**

in September. Loaded import TEUs totaled 102,148, down 18.9% from a year earlier. Export loads (46,315 TEUs) were off by 21.0%. International container traffic (loads plus empties) at the two ports amounted to 215,599 TEUs for the month, a drop of 19.4% from September 2021. YTD, the ports have handled 2,633,054 loaded and empty TEUs, 7.3% fewer TEUs than in the first three quarters of last year.

Over the border in British Columbia, the **Port of Vancouver** managed a small 1.3% y/y gain in inbound loads (166,819 TEUs) but an 11.9% drop in outbound loads (59,721 TEUs). YTD, total container traffic through the port (2,766,138 TEUs) was off by 3.2% from a year ago.

Further north at the **Port of Prince Rupert**, inbound loads in September (47,725 TEUs) were up 2.8% over last September, but outbound loads (9,896 TEUs) plunged by 17.6%. Total container traffic through the port for the month (89,292 TEUs) was up 5.3% y/y, while total traffic through the first three quarters of the year (790,553 TEUs) was up 2.1%.

Along the Eastern Seaboard, the **Port of Virginia** sustained a 5.8% y/y decline in its trade in inbound loads, which slipped to 160,673 TEUs. On the other hand, the port saw its trade in outbound loads increase by 4.7% to 84,466 TEUs. Counting all containers, full and barren, the port handled 312,230 TEUs in September, up 2.0% from last September. Through the first nine months of this year, 2,824,871 laden and empty TEUs moved through the port, up 10.1% from the same point last year.

At the **Port of Charleston**, inbound loads jumped by 15.7% from a year earlier to 113,654 TEUs. Outbound loads, however, tumbled by 18.8% to 50,093 TEUs. Outbound

We Make Cargo Move



**The Port
OF Hueneme**



September's TEU Tallies Continued

empties (60,490 TEUs) leapt by 43.5%. The port handled 226,807 loaded and empty TEUs in September, 10.6% above September of last year. YTD, the South Carolina port has handled 2,103,012 laden and barren TEUs, up 4.1% from last year.

Things were much different at the **Port of Savannah**, which saw its inbound loads (210,367 TEUs) fall by 9.8% from a year earlier and by 1.0% from September 2020. Outbound loads (100,236 TEUs) were off by 8.0% year-over-year. Total traffic of loads and empties through the port in September totaled 436,279 TEUs, down sharply by 24.2% from August and off by 7.6% y/y. For the first three quarters of 2022, the Georgia port has handled 4,433,684 loaded and empty TEUs, a 6.9% increase over a year earlier.

On the Gulf Coast, the **Port of Houston** saw sharp increases in container volumes. The 177,979 laden inbound TEUs the Texas port handled in September represented a robust 31.5% jump over the same month a year earlier. Outbound loads, meanwhile, rose by 47.3% to 102,744 TEUs, dwarfing the 77,680 outbound loads shipped by the rival Port of Los Angeles that same month. Total traffic in loads and empties in September amounted to 353,524 TEUs, up 25.6% from a year ago. YTD, Houston has handled 2,961,929 TEUs, an 18.1% increase over last year's first three quarters.

NUMBER
OF THE MONTH



For the Record: The Semi-Complete August TEU Numbers

Now for the TEU tallies in the month of August, but again without any numbers from Maryland's Port Authority.

August at the Port of Los Angeles was the port's worst August for container volumes in years. The 403,602 loaded inbound TEUs that arrived were the fewest in any August since 2014. Although the 102,319 laden outbound TEUs that left the port in August were up by 1.0% from the previous August, you have to go back to 2005 to find another August with a more meager trade in outbound laden containers. Total container traffic in August (loads plus empties) equaled 805,315 TEUs, the lowest in any August since 2016.

So it would come as no surprise that the Port of New York/New Jersey (PNYNJ) pushed the Port of LA off its pedestal in August. Inbound loads at the East Coast gateway totaled 428,721 TEUs, easily exceeding LA's 403,602 TEUs. PNYNJ also shipped 6,739 more outbound loads and 6,333 more outbound empty TEUs than did LA. The total number of containers handled at PNYNJ in August amounted to 843,191 TEUs, 4.7% more than LA's August total of 805,460 TEUs.

One bright spot for the nation's West Coast ports is that the Port of Long Beach topped all U.S. ports in outbound loads in August. The San Pedro Bay port shipped 121,408 outbound loaded TEUs, more than Savannah (119,192 TEUs), Houston (116,841 TEUs), PNYNJ (109,058 TEUs), and the Port of Los Angeles (102,319 TEUs).

3.2%

U.S. West Coast ports' share of containerized import tonnage shrank by 3.2% from August 2021 to August 2022.



Exhibit 1

August 2022 - Inbound Loaded TEUs at Selected Ports

	Aug 2022	Aug 2021	% Change	Aug 2020	% Change	Aug 2022 YTD	Aug 2021 YTD	% Change	Aug 2020 YTD	% Change
Los Angeles	403,602	485,672	-16.9%	516,286	-21.8%	3,636,841	3,789,245	-4.0%	2,922,949	24.4%
Long Beach	384,530	407,426	-5.6%	364,792	5.4%	3,332,111	3,105,537	7.3%	2,401,566	38.7%
San Pedro Bay Total	788,132	893,098	-11.8%	881,078	-10.5%	6,968,952	6,894,782	1.1%	5,324,515	30.9%
Oakland	87,844	97,850	-10.2%	96,264	-8.7%	699,346	737,237	-5.1%	647,046	8.1%
NWSA	102,157	114,971	-11.1%	107,890	-5.3%	888,955	992,243	-10.4%	777,088	14.4%
Hueneme	10,825	8,084	33.0%	2,778	289.7%	93,254	61,554	51.5%	31,385	197.0%
San Diego	5,886	7,498	-21.5%	6,888	-14.5%	53,320	54,470	-2.1%	51,093	4.4%
USWC Total	994,844	1,121,501	-11.3%	1,094,898	-9.1%	8,703,827	8,740,286	-0.4%	6,831,127	27.4%
Boston	9,494	8,423	12.7%	10,162	-6.6%	51,143	69,940	-26.9%	89,662	-43.0%
NYNJ	428,721	399,716	7.3%	366,887	16.9%	3,345,305	3,034,841	10.2%	2,401,697	39.3%
Maryland		47,807	0.0%	44,303	0.0%		343,381	0.0%	333,369	0.0%
Virginia	160,673	144,226	11.4%	120,914	32.9%	1,192,549	1,079,913	10.4%	815,659	46.2%
South Carolina	113,864	114,671	-0.7%	96,965	17.4%	944,815	843,132	12.1%	568,438	66.2%
Georgia	290,915	241,713	20.4%	227,537	27.9%	1,962,190	1,833,312	7.0%	1,401,660	40.0%
Jaxport	30,758	24,487	25.6%	27,738	10.9%	211,418	217,003	-2.6%	203,737	3.8%
Port Everglades	33,981	32,470	4.7%	25,150	35.1%	268,388	241,722	11.0%	193,129	39.0%
Miami	44,748	48,976	-8.6%	36,847	21.4%	353,184	372,435	-5.2%	264,754	33.4%
USEC Total										
New Orleans	8,597	12,183	-29.4%	10,239	-16.0%	78,530	86,777	-9.5%	91,113	-13.8%
Houston	180,132	159,791	12.7%	116,714	54.3%	1,256,641	1,046,434	20.1%	788,771	59.3%
USGC	188,729	171,974	9.7%	126,953	48.7%	1,335,171	1,133,211	17.8%	879,884	51.7%
Vancouver	178,072	180,865	-1.5%	167,095	6.6%	1,281,209	1,302,661	-1.6%	1,118,274	14.6%
Prince Rupert	57,831	42,776	35.2%	68,064	-15.0%	362,558	350,605	3.4%	404,955	-10.5%
British Columbia Total	235,903	223,641	5.5%	235,159	0.3%	1,643,767	1,653,266	-0.6%	1,523,229	7.9%
USWC/BC Total	1,230,747	1,345,142	-8.5%	1,330,057	-7.5%	10,347,594	10,393,552	-0.4%	8,354,356	23.9%

Source Individual Ports



Exhibit 2

August 2022 - Outbound Loaded TEUs at Selected Ports

	Aug 2022	Aug 2021	% Change	Aug 2020	% Change	Aug 2022 YTD	Aug 2021 YTD	% Change	Aug 2020 YTD	% Change
Los Angeles	102,319	101,292	1.0%	131,429	-22.1%	833,049	856,568	-2.7%	1,005,893	-17.2%
Long Beach	121,408	119,485	1.6%	126,177	-3.8%	941,412	981,177	-4.1%	999,000	-5.8%
San Pedro Bay Totals	223,727	220,777	1.3%	257,606	-13.2%	1,774,461	1,837,745	-3.4%	2,004,893	-11.5%
Oakland	67,838	71,753	-5.5%	76,144	-10.9%	518,048	598,955	-13.5%	610,187	-15.1%
NWSA	48,563	53,922	-9.9%	54,918	-11.6%	371,179	474,665	-21.8%	522,804	-29.0%
Hueneme	3,606	2,966	21.6%	694	419.6%	26,146	15,934	64.1%	7,843	233.4%
San Diego	868	472	83.9%	306	183.7%	7,902	3,849	105.3%	2,180	262.5%
USWC Totals	344,602	349,890	-1.5%	389,668	-11.6%	2,697,736	2,931,148	-8.0%	3,147,907	-14.3%
Boston	1,373	5,994	-77.1%	3,144	-56.3%	22,671	49,181	-53.9%	36,660	-38.2%
NYNJ	109,058	103,886	5.0%	103,067	5.8%	870,505	914,296	-4.8%	865,419	0.6%
Maryland		21,466	0.0%	18,638	0.0%		169,326	0.0%	142,668	0.0%
Virginia	95,745	85,256	12.3%	75,325	27.1%	718,280	707,512	1.5%	609,751	17.8%
South Carolina	51,884	65,207	-20.4%	66,825	-22.4%	432,798	560,891	-22.8%	445,283	-2.8%
Georgia	119,192	114,070	4.5%	115,665	3.0%	916,016	973,119	-5.9%	973,363	-5.9%
Jaxport	45,639	49,240	-7.3%	44,119	3.4%	366,858	392,353	-6.5%	326,666	12.3%
Port Everglades	34,994	32,242	8.5%	28,298	23.7%	272,869	256,038	6.6%	218,155	25.1%
Miami	24,565	29,525	-16.8%	32,812	-25.1%	211,187	233,318	-9.5%	240,000	-12.0%
USEC Totals										
New Orleans	17,169	20,273	-15.3%	22,192	-22.6%	153,005	176,821	-13.5%	187,366	-18.3%
Houston	116,841	85,660	36.4%	98,552	18.6%	821,152	719,215	14.2%	831,650	-1.3%
USGC Totals	134,010	105,933	26.5%	120,744	11.0%	974,157	896,036	8.7%	1,019,016	-4.4%
Vancouver	59,156	77,438	-23.6%	77,353	-23.5%	460,200	636,660	-27.7%	693,441	-33.6%
Prince Rupert	12,061	12,838	-6.1%	16,626	-27.5%	95,426	106,914	-10.7%	132,922	-28.2%
British Columbia Totals	71,217	90,276	-21.1%	93,979	-24.2%	555,626	743,574	-25.3%	826,363	-32.8%
USWC/BC Total	415,819	440,166	-5.5%	483,647	-14.0%	3,253,362	3,674,722	-11.5%	3,974,270	-18.1%

Source Individual Ports



Exhibit 3

August 2022 YTD Total TEUs

	Aug 2022 YTD	Aug 2021 YTD	% Change	Aug 2020 YTD	% Change
Los Angeles	7,154,641	7,273,053	-1.6%	5,580,110	28.2%
Long Beach	6,600,560	6,346,377	4.0%	4,911,726	34.4%
NYNJ	6,522,817	5,934,664	9.9%	4,661,453	39.9%
Georgia	3,997,405	3,676,055	8.7%	2,893,694	38.1%
Houston	2,608,405	2,225,500	17.2%	1,911,176	36.5%
Virginia	2,512,639	2,281,848	10.1%	1,742,492	44.2%
Vancouver	2,440,951	2,546,380	-4.1%	2,168,379	12.6%
NWSA	2,347,740	2,504,186	-6.2%	2,111,061	11.2%
South Carolina	1,876,205	1,814,603	3.4%	1,482,027	26.6%
Oakland	1,602,276	1,733,227	-7.6%	1,612,758	-0.6%
Montreal	1,181,329	1,150,189	2.7%	1,026,762	15.1%
JaxPort	879,612	946,470	-7.1%	823,111	6.9%
Miami	801,886	848,502	-5.5%	673,001	19.2%
Maryland		697,007		672,633	
Port Everglades	746,764	707,795	5.5%	609,316	22.6%
Prince Rupert	701,265	688,658	1.8%	704,469	-0.5%
Philadelphia	507,634	486,597	4.3%	424,141	19.7%
Mobile	364,687	326,284	11.8%	256,786	42.0%
New Orleans	290,497	350,475	-13.1%	384,394	-24.4%
Hueneme	178,352	140,342	27.1%	115,042	55.0%
San Diego	107,639	106,727	0.9%	101,729	5.8%
Portland, Oregon	103,119	56,415	82.8%	32,766	214.7%
Boston	99,994	142,541	-29.8%	175,846	-43.1%

Source Individual Ports



August 2022 TEU Numbers Continued

Exhibit 1 displays the inbound loaded TEU traffic statistics for August 2022 as reported by the twenty North American ports that have provided us with comparable container trade statistics. As noted, the Port of Maryland is again slow in announcing its latest numbers.

Exhibit 2 displays the outbound loaded TEU numbers for August. Once again, the figures are not indicative of a nation with a thriving maritime export trade, at least in the types of commodities transported overseas in containers.

Exhibit 3 shows the total (full + empty) YTD container traffic over the first eight months of 2022. Please note

that we have added Alabama's Port of Mobile to the ranks of ports whose total container traffic numbers we report.

Weights and Values

Here we offer an alternative to the customary TEU metric for gauging containerized trade. The percentages in **Exhibits 4 and 5** are derived from data compiled by the U.S. Commerce Department from documentation submitted by the importers/exporters of record. Both exhibits underscore the relatively sharp decline in the USWC share of container trade both worldwide and with East Asia.

Exhibit 4

Major USWC Ports Shares of U.S. Mainland Ports Worldwide Container Trade, August 2022

	Aug 2022	Jul 2022	Aug 2021
USWC	33.8%	34.7%	37.0%
LA/LB	24.4%	25.4%	26.6%
Oakland	3.5%	3.3%	4.1%
NWSA	3.8%	3.5%	4.6%

Shares of U.S. Mainland Ports Containerized Import Tonnage

USWC	33.8%	34.7%	37.0%
LA/LB	24.4%	25.4%	26.6%
Oakland	3.5%	3.3%	4.1%
NWSA	3.8%	3.5%	4.6%

Shares of U.S. Mainland Ports Containerized Import Value

USWC	40.5%	41.5%	43.4%
LA/LB	32.1%	33.0%	33.4%
Oakland	3.0%	2.6%	3.0%
NWSA	4.3%	4.5%	6.0%

Shares of U.S. Mainland Containerized Export Tonnage

USWC	33.7%	33.8%	34.8%
LA/LB	20.2%	19.4%	19.5%
Oakland	5.8%	5.5%	6.8%
NWSA	5.9%	5.9%	6.6%

Shares of U.S. Mainland Containerized Export Value

USWC	27.3%	27.4%	29.3%
LA/LB	17.1%	17.2%	17.3%
Oakland	5.6%	5.4%	6.9%
NWSA	3.3%	3.9%	4.0%

Source: U.S. Commerce Department.

Exhibit 5

Major USWC Ports Shares of U.S. Mainland Ports Containerized Trade with East Asia, August 2022

	Aug 2022	Jul 2022	Aug 2021
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Shares of U.S. Mainland Ports Containerized Import Tonnage

USWC	51.2%	55.2%	57.2%
LA/LB	40.2%	43.5%	44.9%
Oakland	3.6%	3.7%	4.0%
NWSA	5.9%	6.1%	7.4%

Shares of U.S. Mainland Ports Containerized Import Value

USWC	58.1%	61.1%	63.0%
LA/LB	47.4%	49.7%	49.7%
Oakland	3.3%	3.1%	3.4%
NWSA	6.2%	6.8%	8.8%

Shares of U.S. Mainland Containerized Export Tonnage

USWC	56.6%	58.5%	56.0%
LA/LB	36.0%	35.8%	33.8%
Oakland	8.5%	8.6%	10.2%
NWSA	10.8%	11.0%	11.1%

Shares of U.S. Mainland Containerized Export Value

USWC	54.8%	56.1%	57.8%
LA/LB	36.3%	37.4%	35.4%
Oakland	8.9%	9.1%	12.8%
NWSA	7.6%	8.7%	8.6%

Source: U.S. Commerce Department.



August 2022 TEU Numbers Continued

Who's Your Daddy?

As noted above, August saw the Port of Los Angeles overtaken by the Port of New York/New Jersey (PNYNJ) as the nation's busiest container port. In some quarters, this has been reported as a Big Deal akin to celebrating a Yankees victory over the Dodgers. Whether one month a trend makes remains to be seen. PYNJ has not yet released its September statistics, but the McCown Report is estimating that the East Coast gateway handled nearly 22% more inbound loads than the 343,462 TEUs that the Port of LA has reported.

But PYNJ's momentary victory can't simply be viewed solely in the context of two iconic ports duking it out. If this is really to be regarded as a contest between America's two largest metropolitan areas, you can't very well not include a very formidable third party, the Port of LA's next-door neighbor. Indeed, as **Exhibit 6** reveals, the Port of Long Beach has regularly handled higher monthly container volumes than PYNJ. Furthermore, as **Exhibit 9** shows, Long Beach regularly tops its rivals in outbound loads.

So here is a set of hopefully illuminating graphs displaying TEU traffic at the three ports since January 2020, just as word of a potentially deadly virus first started to gain public attention.

Recasting the bicoastal competition between the two San Pedro Bay ports and PYNJ, the two largest port complexes on their respective coasts, yields **Exhibit 7**.

Exhibit 6

Total TEU Traffic at Ports of LA, Long Beach and PYNJ Since January 2020

Source: Ports of Los Angeles, Long Beach and New York/New Jersey

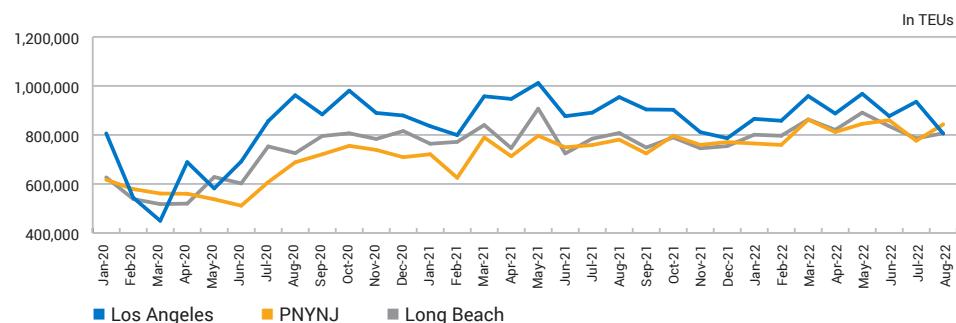


Exhibit 7

Total TEU Traffic: San Pedro Bay vs. PYNJ Since January 2020

Source: Ports of Los Angeles, Long Beach and New York/New Jersey

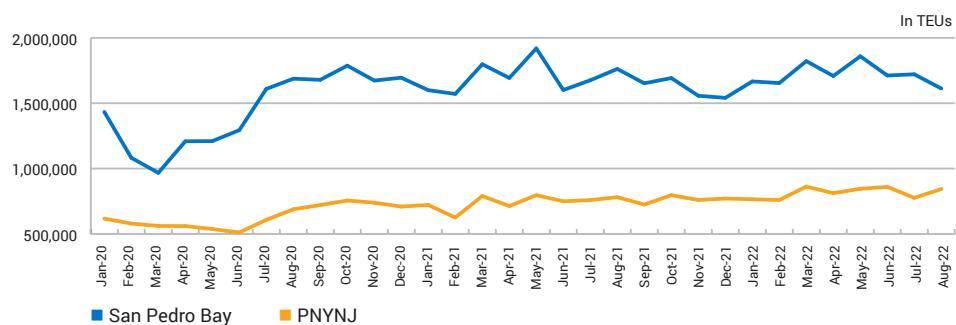
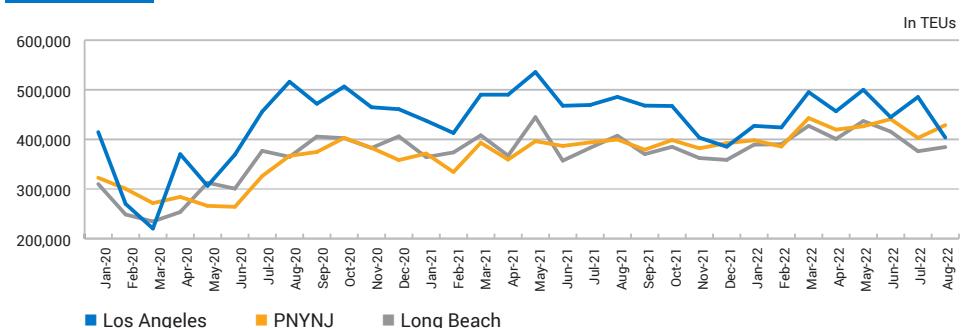


Exhibit 8

Inbound Loads at Ports of LA, Long Beach and PYNJ Since January 2020

Source: Ports of Los Angeles, Long Beach and New York/New Jersey





August 2022 TEU Numbers Continued

Focusing now on recent trends in inbound loaded traffic at three ports, **Exhibit 8** documents the steady gain made by PNYNJ that resulted in its overtaking the Port of LA in August.

With respect to outbound loads from the three big ports, a somewhat different narrative emerges, as **Exhibit 9** demonstrates. The Port of LA, which began the pandemic era as the leading shipper of loaded outbound containers, has seen its prominence as an export terminal diminish.

Where the Port of LA clearly excels, as **Exhibit 10** shows, is in shipping empty TEUs across the sea.

Looking ahead, the seemingly endless drama of longshore labor contract negotiations on the USWC can be expected to continue to drive container traffic to East and Gulf Coast ports. Still, a matter of even longer-term concern to West Coast ports should be how elastic shippers' port preferences will prove to be. In other words, how much of the inbound trade from Asia that has lately been diverted to East and Gulf Coast ports will eventually return to the West Coast ports? Or, having become accustomed to importing through ports closer to where most American consumers live and where much of America's manufacturing base is concentrated, will shippers return to the West Coast?

Exhibit 9

Outbound Loads at Ports of LA, Long Beach and PNYNJ Since January 2020

Source: Ports of Los Angeles, Long Beach and New York/New Jersey



Exhibit 10

Outbound Empties at Ports of LA, Long Beach and PNYNJ Since January 2020

Source: Ports of Los Angeles, Long Beach and New York/New Jersey

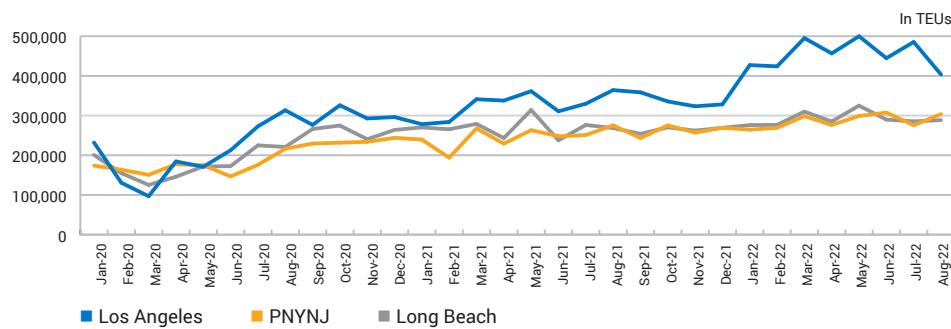


Photo courtesy of Port of Los Angeles



August 2022 TEU Numbers Continued

The Latest Data on Tree Nut Diversions

Last month, we mentioned that tree nut shippers in California's Central Valley, allegedly weary of declining service from the Port of Oakland, were planning to send more of their products overseas via the Ports of Los Angeles and Long Beach and even the Port of Houston, even though the Texas port lies 1,965 miles by road away from Esparto, the home of California's Annual Almond Festival. (Almonds, to remind readers, are California's leading agricultural export by value).

To be sure, Oakland has commanded more of the trade than it has lately. YTD through August, its 80.9% share of almond export tonnage was down from 84.9% a year earlier. The two San Pedro Bay ports meanwhile saw their combined share rise to 16.9% from 14.1%. Houston's share rose slightly to 0.8% from 0.7% last year. But, focusing on the month of August, Oakland's share rose to 80.1% from 73.2% in July, when a trucker protest shut the port down for nearly a week. By contrast, the San Pedro ports saw their combined share slide from 22.8% in July to 15.8% in August. Houston's 0.8% share in August was down from its 1.2% share a month earlier. But surpassing the Texas port's share was the Port of West Sacramento with a 0.9% share of all almond export tonnage in August, up from 0.4% the month before.

Pistachios, which are grown primarily in Southern California and Arizona, have long been exported principally through the Ports of LA and Long Beach. But this August saw their share of pistachio export tonnage drop to 74.1% from 86.9% a year earlier. Surprisingly, Oakland's share of the pistachio trade in August was 25.5%, up from 12.9% in August 2021. Houston's share in August was a mere 0.2%, the same as it was a year earlier.

Lastly, walnuts. Oakland's 95.7% share of California's walnut export tonnage was actually up slightly from 95.5% a year earlier. The combined share of the trade that

moved through the two big Southern California ports in August was 2.7%, down from 3.9% in August 2021.

Are Forecasters Whistling Past the Graveyard?

We are simultaneously puzzled and concerned to see that most nearly every forecast of consumer spending through the end of this year are couched almost exclusively in economic terms. Thus, it is reported that consumers are buying fewer goods but more services. Consequently, demand for imported merchandise is expected to subside. Consumers are also said to be troubled by inflation and the prospects of a recession next year that might cost many of them their jobs. Pundits like Larry Summers and nearly all the big corporate CEOs have been conspicuously predicting (and therefore helping to guarantee) a recession in the second, if not the first quarter of 2023. Such warnings should keep the wallets in consumers' pockets. Yet, despite all this grim economic news, retailers are reported to be optimistic that inventory-clearing discounts will boost sales this holiday season.

Under the circumstances, we are prompted to ask what seems to us to be an obvious question: Is no one paying attention to the political news?

Or is there a tacit agreement among forecasters to ignore the very real likelihood that the ghost of Christmas Present this year will arrive in the form of widespread violence over disputed election returns and/or the handing down of one or more indictments of Donald Trump.

We're not worry-warts here, but neither are we entirely sanguine about what lies immediately ahead.



Jock O'Connell's Commentary:

Anticipating California's Electrical Minsky Moment

Among the journalists reporting on America's maritime trade are those who profess with almost reflexive regularity that a certain trade union poses the single gravest threat to the competitiveness of the Ports of Los Angeles and Long Beach. Since it's still a free country, they are entitled to their obsessive prejudices.

For my money, though, there is a far greater antagonist confronting these maritime gateways: the State of California. At least, the International Longshore and Warehouse Union has a vital stake in keeping the ports in business. That, however, is not necessarily a sentiment broadly shared by officials at the state capital in Sacramento.



There is no question that the state's ambitious environmental agenda is being advanced at great cost to its seaports and indeed to the entire logistics sector of California's economy. Meeting the singularly stringent clean air mandates imposed in California results in costs far higher than those borne by competing ports most anywhere else in the country.

That's been true for some time. What's emerging as an even knottier existential challenge is the disjointed manner in which the state is gearing up for a zero-emission future.

In Econ 101, you're introduced to the tension between two forces: supply and demand. It's generally preferable that the two stay roughly in equilibrium. Occasionally, though,

things go awry. One such occasion occurred in California this summer when extremely high temperatures pushed up the demand for electricity to a level that strained the supply of available megawatts. In response, Governor Gavin Newsom took a number of actions to reduce the stress on the state's electric power grid, including an executive order issued on August 31 that temporarily suspended the requirement that ocean-going vessels berth at California ports use shore power.

This was not the first time that had happened. It almost certainly won't be the last.

The late summer power emergency should serve as a warning about how much things could get out of hand unless the state substantially increases its ability to generate and distribute electrical power. Talk of a horizon filled with more energy-efficient technologies notwithstanding, moderating demand for electricity is not a realistic option. Indeed, less than a week before the governor was obliged to declare an emergency, the California Air Resources Board (CARB) approved an Advanced Clean Cars II rule that establishes a year-by-year roadmap to ensure that – by 2035 – 100% of all new cars and light trucks sold in California will be zero-emission vehicles.

More or less simultaneously, the state is moving to replace gas with electricity to heat homes and businesses, even doing away with gas stoves and ovens. (My mother had an electric range, while I cook with gas. Who knew mom was the environmentalist in the family?) CARB had already been pressing the state's logistics industries, including its seaports, to embrace zero-emission modes of moving goods. In particular, CARB has long targeted the state's ports, so often labeled by editorialists as the state's biggest stationary sources of toxic emissions that one might wrongly conclude that the ports have done nothing to improve matters. The remarkable progress the ports have actually made in slashing emissions and the response from the air quality regulators is a testament to the old adage that no good deed goes unpunished.

Adding to the challenge of ensuring that supplies of electricity will be sufficient to meet predictably higher



Commentary Continued

levels of demand, state policy has been to focus on renewable energy sources such as wind and solar while diminishing its reliance on power plants that burn fossil fuels or use nuclear reactors. It will be a tricky, changing horses in midstream transition.

Ultimately, the danger is that one curve (supply) rises more slowly than the curve defining demand. And that creates the potential in California for an electrical Minsky Moment.

Myron Minsky was an American economist famed for his studies of financial crises. Even though he did not coin the term for which he is best known, I would like to think that Professor Minsky formulated the underlying thesis one Saturday morning after watching a Looney Tunes cartoon. Specifically, I have in mind the one in which Wile E. Coyote madly chases the Road Runner off a cliff and, for an instant, is allowed to realize that his exuberance is no longer sustainable. And so, like a market driven by impetuous investors or policymakers, the coyote experiences a Minsky Moment before plunging into an abyss.

So the question becomes whether the State of California can avoid a Minsky Moment when its zealous pursuit of a zero-emission economy proves untenable?

This is no longer Pat Brown's California. Brown's terms in office preceded the California Environmental Quality Act, which was signed into law in 1970 by Brown's successor, a progressive environmentalist named Ronald Reagan. Among CEQA's presumably unintended consequences was the creation of legions of attorneys dedicated to serving clients who were opposed to building most anything, most anywhere. Since then, the state's record in building out any element of its infrastructure (apart from sports arenas) has not been especially encouraging.

The lack of affordable housing may be the pre-eminent example, but what particularly prompted this commentary was an October 9 *New York Times* lamentation on California's high-speed rail (HSR) project, quite possibly the most egregious failing in the long history of infrastructure building in this country. Oh, sure, we might one day be able to get from Los Angeles to San Francisco by train in 2.5 hours. My guess, though, is that none of us boomers will be around to enjoy the ride.

Here's the most revealing takeaway from the *Times* piece: "Now, as the nation embarks on a historic, \$1 trillion infrastructure building spree, the tortured effort to build the country's first high-speed rail system is a case study in how ambitious public works projects can become perilously encumbered by political compromise, unrealistic cost estimates, flawed engineering and a determination to persist on projects that have become, like the crippled financial institutions of 2008, too big to fail."

An amusing but telling aside in the *Times* story dealt with the decision of SNCF, the French national railroad, to forego participation in the California HSR project. SNCF, which had inaugurated a high-speed rail service between Paris and Lyon in 1981, likely felt it had something to contribute to California's project. Eventually, though, SNCF backed out of the project in 2011, telling state officials that they preferred to focus on a similar project in Morocco, which the French pointedly described as "less politically dysfunctional" than the Golden State. (Morocco's bullet train, which SNCF then helped construct, has been up and running now for 4 years.)

Not to be scooped by the *Times*, the *Washington Post* chimed in with an October 12 report on the same dismal topic: "Originally touted as a sub-three-hour link between San Francisco and Los Angeles, this mega-project has not carried a single passenger in the 14 years since the state committed to building it. It has made a lot of public money disappear, though: more than \$10 billion, with the ultimate cost estimated at \$113 billion."

As with so many other projects undertaken with the noblest of intentions, plans that looked good on paper – or in theory – have typically run up afoul of competing political agendas, armies of litigious citizens, and sheer bureaucratic incompetence, not to mention the exceedingly high costs of doing most anything in California.

Readers of the *Sacramento Bee* are routinely regaled by tragicomic tales of how efforts to introduce computer technology to state government agencies almost invariably go askew, resulting in endless delays, extraordinary cost overruns, and infuriating failures to upgrade the computer systems by which agencies like DMV or the State Personal Board manage their



Commentary Continued

records. As the *Bee*'s former political columnist Dan Walters noted in a July 5 piece in *CalMatters*, there is an almost endless litany of missteps that have plagued state government for years. "While California's Silicon Valley and other technology hubs may be global leaders in the development of information technology, its state government has been chronically incapable of implementing IT systems that work as promised."

One of the most spectacular and recent IT failures noted by Walters was the meltdown of the Employment Development Department's systems for handling the unemployment insurance benefit claims filed by the hundreds of thousands of California workers who had lost their jobs due to pandemic-related shutdowns, while simultaneously approving billions of dollars in payments to fraudsters.

Within state government's push for a zero-emission economy, the policy dichotomy is reflected in the clashing cultures of the two agencies at the core of the electricity issue: the California Air Resources Board and the California Independent Systems Operator (CAISO). For better or for worse, they are the horses to watch in this race to that imagined zero-emission future.

CARB is the agency chiefly responsible for cleaning the state's air. It's been active on this front since 1967, when it was established by legislation signed not by either of the Governors Brown but by Ronald Reagan, the

aforementioned progressive environmentalist. On the other side is CAISO, which manages the flow of electricity across the high-voltage, long-distance power lines serving 80 percent of California and part of Nevada.

CARB is the state's primary bureaucratic driver of the state's future demand for electrical power. ISO, although not in the electric generation business, is ultimately responsible for ensuring that the grid is up to meeting the anticipated demand.

But, while one is in the business of forging the environmental regulations to implement an exceedingly ambitious but largely ambiguous state policy, the other functions in the much more constrained world of physics and the nearly equally constraining world of finance. CARB's role is made easy by the fact that making sure its regulatory policies are achievable is someone else's job, mostly those private utilities and public agencies that generate power and supervise its distribution statewide. It's a division of labor that gives rise to a good deal of handwaving and magical thinking on the one side and mounting levels of exasperation on the other.

The temptation to despair is strong.

Disclaimer: The views expressed in Jock's commentaries are his own and may not reflect the positions of the Pacific Merchant Shipping Association.



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The Lows and Highs of the 2022 California Legislative Session for Maritime Commerce

By Mike Jacob, Vice President & General Counsel, PMSA

While the official start of the 2022 Legislative Session in California was January 3rd when Assemblymembers and Senators returned to Sacramento and gavels are struck, the focus on the unrelenting supply chain crisis and congestion from one year ago meant that the 2022 session really started at the end of the summer of 2021. Legislators and officials in the Newsom Administration were very aggressively looking to the industry and to ports for proposals to help unlock the port backup, unsnarl supply chains, and get products moving freely – and fast.

By September 2021, the Governor's Office of Business and Economic Development and California State Transportation Agency co-hosted a Supply Chain summit to try and find consensus solutions across the intermodal spectrum of container shipping. It was a tall task, but some consensus was reached. This included agreement around the need for a clear point of contact for intermodal and maritime issues at the State. People envisioned a state-level Port Envoy in the Governor's office who would be given the resources necessary to successfully advocate within the Administration and at the Legislature for investment, flexibility, and solutions to problems at ports and in the supply chain as they arise.

This was followed by multiple legislative hearings, highlighted by frustrated parties all around including exasperated agricultural exporters. As 2021 ended and 2022 began, despite the success of the implementation of the new queueing system to reduce near-shore vessel congestion by PMSA, PMA and the Southern California Marine Exchange, legislative demands for action were loud and consistent.

PMSA, along with its partners at the California Association of Port Authorities (CAPA), sponsored or supported a suite of bills to address many of these issues head-on. The package was extensive. It included a bill to create two new tax credits to offset costs for all California exporters, both for the costs of their cargo and for the costs of moving and repositioning intermodal equipment



"The lasting lesson of the 2022 legislative session is that the attention and commitment of the state to our supply chain can be tough to maintain across the finish line."

prior to export. Two bills were introduced to create a state-level envoy – one to create the position for a new Supply Chain Coordinator and another to create an office with staffing for the new position. A bill was introduced to create a manufacturing tax credit for intermodal chassis and chassis component manufacturers. Another bill would extend the local building permit streamlining provisions recently adopted to address the current housing crisis and shortage to industrial and agricultural properties looking to build temporary intermodal parking, storage, and distribution yards. Plus two resolutions – one proclaiming a supply chain crisis for the purposes of managing state policy and another to demand that California get its fair share of federal port infrastructure funding.

Meanwhile, other issues in the intermodal supply chain aside from congestion demanded attention as well. A



Legislative Session Continued

pilotage bill was introduced with the intent to address state-licensed pilotage rates in the San Francisco Bay in the wake of the pandemic, but also with looming costs associated with the next round of regulatory tightening on air emissions from the marine sector on the horizon. With overwhelming and brazen freight theft plaguing the railroads and cargo owners in Southern California, multiple bills and budget proposals were rolled out to address the lack of prosecution and law enforcement responsiveness to these challenges. And, unsure of the fate of federal Shipping Act reform measures in Congress, truckers and cargo owners introduced parallel legislation to address detention and demurrage issues at the state level as well.

But for all the anxiety, anticipation, and desire to address these challenges, it seems that just as vessel congestion was peaking in January 2022, so was legislative interest in addressing the supply chain. As terminals, ocean carriers, and longshore labor were working hard to minimize vessel queues offshore in Southern California, these successes in the field seemed to also work to dampen the enthusiasm of legislators for the need for aid to the maritime industry and intermodal supply chain.

The first bills to get chopped were the tax credit proposals. Despite ongoing equipment availability issues, the Legislature didn't want to invest in direct support for new chassis and chassis component manufacturers in California. The Legislature also decided that it wasn't worth offsetting equipment repositioning costs for agricultural exporters, and then across the board costs for all exporters was also not in the cards. For the most part, the freight theft bills didn't even get hearings.

While congestion issues persisted and began to pop-up at seaports in the Far East as well as on the US Gulf and Atlantic coasts, the urgency by policymakers continued to cool. When both Supply Chain Coordinator bills failed to make it through the Appropriations Committee, it was a real shock. Legislative staff pointed at the lack of consensus and enthusiasm around the idea, including from the Administration, even though it was the number one consensus item to come out of the Administration's own summit to address supply chain congestion issues. Even the legislative resolution proclaiming a supply chain

crisis in the state – which had no opposition – failed to move past the Senate.

At the end of session, not many of the bills which were so urgently necessary last fall ended up commanding much legislative attention. While the permit streamlining bill provisions were extremely popular with lawmakers when it came to producing new housing units, they were not easily passed when it came to allowing for more chassis and intermodal yards in industrial parks and agricultural areas, although that bill was significantly watered down at least it made it to the Governor's desk and was signed. Of the original PMSA and CAPA package, only that bill and the resolution on fair share of federal funding for California ports made it through the Legislature.

Two other bills of significant maritime interest made it through the session and to the Governor's desk as well. First, the California detention and demurrage bill was sent to the Governor's desk and signed over the objections of PMSA and the World Shipping Council. This bill is significant, because even though it was rendered nearly irrelevant and mostly unnecessary by the Congressional passage of the Ocean Shipping Reform Act, it nonetheless inserts the state of California directly into the interpretation of international and interstate contracts for container transactions and intermodal carriage of goods. This bill will ultimately require the system to consider whether international and interstate bills of lading, contracts of carriage, and interchange agreements should have shifting legal standards and interpretations applied to them as equipment and cargo crosses sub-national jurisdictional lines, or if federal law will allow for uniform application of universal principles of intermodalism. The potential for unintended consequences here abounds. Second, after seven years of work both at the negotiating table and away from the negotiating table, the industry representatives of PMSA, cruise lines, and tanker industry and the San Francisco Bar Pilots were able to come to a suite of compromise agreements on a whole range of issues from how to pay for future new pilot boats which are required to meet new strict air quality rules, to temporary and one-time increases in pilot rates to address pandemic impacts, to implementing an entirely new and reformed rate setting system for pilotage tariffs. Of all the bills passed and signed this year, this one may



Legislative Session Continued

have the smallest geographic reach and impact to the global supply chain, but it represents the biggest win for the proposition that disparate commercial groups can come together and achieve structural change for the betterment of a system.

Finally, aside from the lack of action on bills, one might also point out that the Legislature and the Governor did agree to a \$1.2 billion investment in the state budget for Port and freight infrastructure this past year. Obviously PMSA supports such an investment, but these are long-term capital investments that in the grand scheme of things are likely irrelevant to the short-term needs of the current supply chain and not able to address pandemic congestion issues. While the \$1.2 billion is a large investment by the state, that is also part of the challenge because it is but a small component of the outstanding needs of the system as a whole with respect to the infrastructure that is already largely underwritten by supply chain stakeholders and users. In any event, the benefits of these projects are years away, as the programming for this funding won't even occur until 2023 and were never intended to be a substitute for our short-term proposals.

As we prepare for a future with anticipated downturns in global demand, higher inflation, more market volatility, the lasting lesson of the 2022 legislative session is that the attention and commitment of the state to our supply chain can be tough to maintain across the finish line. While the pandemic and its impacts may be lasting, we need to be mindful that the attention of our policymakers may not be.

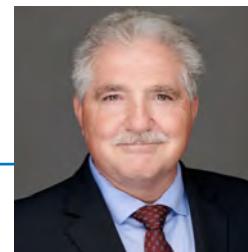
Congratulations

Capt. Mike Moore gets inducted into the Coast Guard Academy Athletic Hall of Fame

The Coast Guard Academy added seven new members to its Athletic Hall of Fame. The Hall of Fame Class of 2022 features five individuals, including PMSA Vice President Capt. Mike Moore.

"Moore earned All-America honors with a fifth place finish in the high jump in 1975 and qualified for the Olympic Trials in the decathlon in 1984. He was an All-New England and All-ECAC performer in both the high jump and the triple jump and was captain of the 1977 unbeaten indoor team. Moore held indoor triple jump school record which stood for 37 years and he had the best Division III high jump of six feet, 8.25 inches in 1975 and six feet, 10.5 inches in 1977. Moore also was the ECAC high jump champion and won a silver medal in the decathlon as the 1979 military world competition before returning to CGA as an assistant coach where he coached two All-American's."

Congratulations, Captain Moore!





Container Dwell Time Down in September

