

tie lines – April 2006

The monthly newsletter from the Port of Long Beach

AROUND THE PORT . . .

April 26 marks the 50th anniversary of the first container ship voyage. In 1956, truck-owner-operator Malcolm McLean revolutionized international trade by launching the container cargo age.

One day, while sitting at a dock waiting for cotton bales to be loaded from his truck onto a ship, McLean dreamed up the idea of using truck trailers to ship cargo much faster and more efficiently. Years later, he founded the Sea-Land shipping line. His first container ship, the Ideal-X, left New Jersey for Houston on April 26, 1956, carrying 58 trailers.

Today, approximately 90 percent of the world's cargo moves in trailer-like containers aboard the giant, prodigious offspring of McLean's Ideal-X.

China's New Year's celebration curtailed shipments through the Port of Long Beach in February, as the total number of cargo containers climbed a modest 3.5 percent to the equivalent of 515,464 twenty-foot container units.

China, Long Beach's leading trading partner, was largely shutdown the week after the January 29 lunar New Year's Day, causing imports at the Port to edge up only 0.9 percent to 252,463 twenty-foot equivalent units (TEUs) in February.

Exports remained strong, jumping 21 percent to 109,963 TEUs. Long Beach has seen double-digit export increases in 16 of the past 18 months amid strong demand in Asia for U.S. raw materials. With a narrowing of the trade gap, the number of empty containers (almost all headed overseas to be re-filled) declined 2.4 percent to 153,038 TEUs.

The Long Beach Board of Harbor Commissioners has awarded its first "Green Flags," presenting the full-sized flags to environmentally friendly fleet operators and individual vessels that voluntarily reduced their speeds in 2005 to curb air pollution.

The board approved the Green Flag Incentive Program last fall, offering special recognition and as much as \$2.2 million a year in discounted dockage rates beginning in 2007 to vessel operators that have 90 percent of their ships observe a 12-knot speed limit within 20 miles of the Port in 2006. Reduced ship speeds decrease harmful air emissions in the Port region.

To recognize the many ships that already observe the speed limit, the Harbor Commissioners awarded flags to the Port's "greenest" vessel operators of 2005.

In 2005, 907 individual ships called at the Port of Long Beach, completing 5,406 sea voyages in and out of San Pedro Bay, and about 65 percent of all vessel trips complied with the limits of the Voluntary Speed Reduction Program.

The Board awarded the special Green Flags to 333 individual ships and 100 ocean carriers (operating more than one vessel) with 100 percent compliance in 2005.

The Board also awarded special environmental recognition to six of the Port's largest carriers for operating a fleet that 1) included at least two of these "Green Flag" ships, 2) sailed 50 or more sea passages in and out of Long Beach, and 3) exceeded a fleet

compliance rate of 90 percent: Orient Overseas Container Line (OOCL), "K" Line, USS Vessel Management, BP Shipping, SeaRiver Maritime and Hyundai Merchant Marine.

The Harbor Commission also recognized seven other large carriers for operating a fleet that 1) included at least two Green Flag ships, 2) sailed 50 or more voyages here, and 3) exceeded the average compliance rate in 2005.

These carriers were China Ocean Shipping Co. (COSCO), Nippon Yusen Kaisha (NYK), China Shipping Container Line, Mitsui OSK Lines, Matson Navigation, Hanjin Shipping and Alaska Tanker.

Port officials estimate that if all vessels comply with the program, the amount of smog-forming nitrogen oxides (NOx) produced by cargo ships would be reduced by nearly 550 tons a year. At the current two-third compliance rate, the program is reducing NOx by 360 tons a year.

So that everyone can see who is complying and who isn't in 2006, the Port is posting monthly charts on the Voluntary Speed Reduction Program in the environmental section of its web site at www.polb.com.

Look for another good year for trade in 2006 -- without serious transportation delays. A diverse panel of goods movement industry experts forecasted significant cargo gains at the ports of Long Beach and Los Angeles for the 2006 peak shipping season

The panelists said the increase in cargo could rival and may even surpass the growth in 2005. Even so, they said they are ready and more than capable of handling another surge in cargo.

The panelists presented their forecasts to about 325 people at the Port of Long Beach's second annual "Pulse of the Ports" 2006 peak season forecast conference.

At the forecast conference, trade analyst Paul Bingham of Global Insight Inc. predicted another record-breaking year for the Long Beach and Los Angeles ports, adding that "we're going to see the same kind of success we saw in 2005, with congestion at a minimum."

Container cargo volume grew more than 8 percent at the San Pedro Bay ports in 2005, without any serious delays – unlike 2004 when volumes unexpectedly jumped 11 percent.

Inga Kerutis of JCPenney Logistics suggested that the shipping lines schedule arrivals throughout the week to increase productivity. Peter Leng of ocean carrier OOCL (USA) Inc. said his company is "bullish and optimistic" about 2006 but warned of problems in three or four years unless productivity improves or capacity is increased.

The panelists talked of their preparedness. Joe Di Massa of terminal operator Yusen Terminals Inc., and Kevin Schroeder of the International Longshore and Warehouse Union's Local 13 said the ports are ready this year because of increased hiring.

The full-time union workforce has grown to more than 6,300 longshoremen, an increase of 40 percent since the 2004 logjam. The number of part-time casual workers has jumped to more than 8,300, a nearly 500 percent increase.

Steve Branscum of BNSF Railway said his company also expects strong growth in 2006. To meet demand, the company is investing \$2.4 billion in improvements such as additional equipment, rail expansion and maintenance projects.

Some of the panelists addressed long-term issues. Roger Clarke of the L.A. Customs Brokers and Freight Forwarders Association foresaw problems within the next few years, as security inspections are increased, possibly slowing the flow of cargo. He also said the state needs to invest in major infrastructure improvements.

Brian Griley of the trucking firm Southern Counties Express said the industry faces a serious shortage of drivers because of the industry's low rates. He said drivers typically work 55 hours a week and make only \$11.34 an hour.

Sponsors of this year's Pulse of the Ports conference also included the Port of Los Angeles, Pacific Merchant Shipping Association, Harbor Association of Industry and Commerce, National Retail Federation, Foreign Trade Association, Waterfront Coalition, International Business Association, Women in International Trade of Los Angeles and Orange County, West Coast Corridor Coalition, National Industrial Transportation League, Propeller Club, L.A. Customs Brokers and Freight Forwarders Association, California Marine & Intermodal Transportation System Advisory Council, and the Center for Trade and Transportation.

For copies of the speakers' presentations, go to www.polb.com

PierPASS Inc. is increasing its truck gate charge to \$50 per TEU (\$100 per FEU) for loaded marine containers moving through the ports of Long Beach and Los Angeles during peak daytime hours.

The Traffic Mitigation Fee adjustment, effective April 24, is aimed at better covering the cost of the non-profit's OffPeak program, which provides full truck gates and other terminal services harbor-wide on selected nights and Saturdays.

Terminal operators launched the OffPeak program with an initial \$40 per TEU rate. The fee provides an incentive for cargo owners to move shipments at night and on weekends, when there is no fee. The intent is to reduce port-related truck traffic congestion and eliminate pollution caused by idling trucks.

During the first six months, between 30 and 35 percent of all gate activity went to OffPeak operations, reducing more than 1 million truck trips off the freeways during the busy daytime commute periods.

With shipping lines gearing up for the peak season, Port officials welcomed nine container ships during their first calls in March.

NYK's 3,600-TEU Kaga arrived for the first time at the International Transportation Service facility at Pier G/J. The Kaga is deployed in NYK's North China Express service.

Four of Matson's 2,600-TEU ships, the Manulani, Maunawili, Mokihana and RJ Pfeiffer, made their first calls to SSA Terminal's Pier C facility as part of the new Shanghai-to-Long Beach express service.

Four Mediterranean Shipping Co. vessels made first calls at SSA's Pier A terminal: the 8,089-TEU MSC Rita, the 6,700-TEU MSC Michaela, the 5,000-TEU MSC Lorena and the 6,700-TEU MSC Marianna.

MSC's Michaela and Marianna are deployed in a China-to-Long Beach service. The Lorena is part of a MSC pendulum service calling around the world. The Rita is deployed in a South China to Long Beach service.

Martine J. Coyne of AMB Property will be the speaker for the Los Angeles Transportation Club lunch on April 11 at the Los Angeles Yacht Club in San Pedro. For information, call (562) 856-9197.

John Cushing of eModal will discuss port technology at the Harbor Transportation Club's April 13 dinner at the Reef Restaurant in Long Beach Harbor. For more information, call (562) 684-4236.

The 57th annual Steamship Dinner Dance will be held April 29 at the Century Plaza Hotel in Century City. For more information, call (818) 951-2842.

The Port of Long Beach is among the sponsors of a conference April 30-May 2 on ultra-fine particles – an unregulated air pollutant.

The South Coast Air Quality Management District will host the three-day conference at the Wilshire Grand Hotel in Los Angeles. For more information, call (909) 396-2778.

Sherman Katz of the Carnegie Endowment for International Peace will be the keynote speaker for the Los Angeles Chamber of Commerce's 80th Annual World Trade Week Kickoff Breakfast on May 3 at the Omni Los Angeles Hotel. For more information, call (213) 580-7569.

PORT PEOPLE. . .

Harbor Commissioner John W. Hancock will be honored as the Entrepreneur of the Year at the Long Beach Chamber of Commerce's annual half-day Business Forecast Conference on April 20 at the Westin Hotel in Long Beach.

Hancock is the president of Bancap Investment Group, an investment company that has focused on the Marina Drive area of Long Beach. He also is being honored for his community involvement with such groups as Memorial Health Services and the Long Beach Symphony. For more information on the conference, call (562) 436-2810.

President Bush's Business Advisory Council had selected Harbor Commissioner Dr. Mike Walter as a 2005 Businessman of the Year award winner.

He was recognized for his service on the Advisory Council and his career accomplishments as a senior officer for Levi Strauss & Co., the Du Pont Co., and Rockwell International. Dr. Walter is also Assistant to the President for Community Relations at California State University, Long Beach.

The Port's overseas representative in Greater China, Edward Yau, has been elected vice president/secretary of the U.S. States and Ports Association.

Coast Guard Capt. Peter Neffenger, captain of the Port for Los Angeles-Long Beach, will be turning over his command at the end of April to Capt. Paul Wiedenhoeft, currently the deputy sector commander.

Neffenger is heading to an assignment in Washington, D.C.

The Port's Managing Director of Maritime Services, Tom Teofilo, is retiring in late-April after more than 35 years in the maritime industry. Teofilo will devote his time to pursuing new unique opportunities in his family business.

Before joining the Port in 2004 for his second stint at the Port, Teofilo was with the Pacific Merchant Shipping Association, World Trade Center Association, Long beach International Trade Office, World Trade Services Group and Korea Shipping Group.