

In For The Long Haul



■ TRADE AND TRANSPORTATION
By **Thomas O'Brien**

If there is one thing that political pundits have learned from this election cycle, it is this: Things don't always appear as they seem. Polls and predictions can be wrong. Politics is a roller coaster and sometimes you just have to ride it out.

The same might be said about the state of world trade. After years of double-digit growth in trade volumes, 2007 was a disappointment for many in the industry, particularly here in Southern California. Between May and November, the Port of Los Angeles experienced seven consecutive months of decreasing container volumes, relative to 2006 figures. Through November, container trade at the port was down just under one percent in comparison with 2006. Container volumes for the Port of Long Beach were more or less flat during the same period. A similar story can be told for Seattle, Tacoma and Oakland. There are other signs that the industry is experiencing some unsettlement. For example Maersk Line, an industry leader, recently announced that it was cutting some 3,000 jobs as part of a company reorganization.

The current pressures on international trade in Southern California are due in part to rising oil prices and a skittish U.S. economy. Local ports may have even suffered from the perception that the cost of doing business here is becoming too high because of container surcharges, environmental regulation and potential labor conflicts. The \$15-per-TEU infrastructure fee adopted by the ports last week probably won't help in this regard.

But it may also be that the ports have raised expectations because of their success, that the 2007 numbers look so bad because they have been so strong in recent years. And like the economy, the numbers may not tell the entire story. Despite those seven months of negative growth, container volumes at the ports were up in December and are projected to be strong this spring; focusing on only one aspect of trade through the ports masks growth in non-containerized trade, such as automobiles, at West Coast ports. There is also the silver lining of a weaker dollar. U.S. exports are up and finding new markets worldwide.

Because the supply chain links production centers and markets across the globe, and because Southern California plays a vital role as a mar-

ket and logistics hub, then strong trade numbers in other parts of the world should ultimately mean good news for this region. Singapore's trade was up nearly 13 percent in 2007. Rotterdam was up a similar amount through the first nine months of the year. It was a good year in general for northern European ports. That means there are goods to move and market share to capture.

But these trade trends provide valuable lessons and some cautionary tales for the West Coast, and Southern California in particular. Growth in northern European ports reflects increased use of trade lanes between Asia and Europe. U.S. East Coast ports are also benefiting from increased use of all-water routes that bypass the West Coast. There are real alternatives to Southern California's ports.

This does not mean that the region needs to abandon the approach it has taken. Southern California may appear to be at a disadvantage because of the perception that PierPASS, clean truck and infrastructure fees make our ports less competitive. It should be noted, however, that other ports are having to make the same difficult decisions. Some European ports have banned empty containers, imposed truck-access restrictions and assessed surcharges as a means of dealing with congestion. Since December 1, containers moving through British ports from Asia have been assessed a congestion fee of \$145. Sound familiar?

But in many of these other cases, congestion mitigation went hand-in-hand with increased capacity. The San Pedro Bay ports' competitiveness will be tested by new terminal complexes that have recently opened or will open in places like Virginia, New York and Texas. Los Angeles and Long Beach have numerous improvement and expansion plans in the environmental review process, but they face serious opposition. Addressing environmental concerns and seeing these projects through will make the difference in allowing Southern California to keep pace with other regions.

What this all means is that the long-term outlook for international trade through Southern California remains healthy despite some negative trends and some real challenges. If growth has been slowed by the economy, it has not been eliminated, and the decision to risk additional container fees to help improve congestion will likely prove to be a good one if other ports continue to adopt similar measures. But at some point limited capacity will become the determining factor, and then the pundits will be right in sounding the alarm.

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