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A Goods Movement Report Card



■ Trade and Transportation

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A year ago at this time, I attempted to make my best predictions about the key issues which would be confronting the goods movement industry in 2008. This is my own year-end report card. In general, I got the issues right but the emphasis wrong. At the end of 2007, the ports of Los Angeles and Long Beach were looking at a down year in terms of imports. Exports however were a bright spot; and there was some hope that a good Christmas season would help the industry end the year on a positive note.

Along with everyone else I anticipated that volatility in fuel prices and the stock markets - along with still unsettling housing trends - would influence consumer confidence and thus trade volumes. However I considered the possibility that 2008 would ultimately be a flat year for our local ports. This would have been considered bad news in recent years but would be welcome news now. The ports are likely facing more than a 10% decline in cargo volumes for the calendar year. Here then, with all biases acknowledged, is my self-assessment.

PERFORMS BETTER THAN AVERAGE

Clean Truck Program: It wasn't hard to predict that the Ports' Clean Truck program, then recently adopted, would mean uncertainty in 2007. There were already lines in the sand being drawn over the controversial employee driver provisions; but I do give myself points for suggesting that the year would end without dirty truck fees being collected. Those have now been pushed back to 2009; and it could be later than that. We already know that the resolution of any legal disputes between the ports, the American Trucking Associations, the Federal Maritime Commission, the Natural Resources Defense Council and any of the other agencies which are party to the Clean Truck Program lawsuits is not likely to come until sometime this year. That may be too late to allow new fees to be collected and for the Port of Los Angeles to implement the first phase of its employee driver

provisions. By the end of 2009, 20% of the gate moves at the Port of LA are supposed to be done by employee drivers.

MEETS EXPECTATIONS

ILWU Negotiations: At the end of 2007, many in the industry were concerned over the likely impact of then-pending ILWU contract negotiations on west coast trade. The longshore agreement with the Pacific Maritime Association which covers 29 ports in California, Oregon and Washington expired in July 2008. There was as a real fear that any repeat of the 2002 negotiation process, which resulted in a lockout of dock workers and a backlog of cargo on the docks, would have economic implications not only for the region but the nation as a whole. The 2002 lockout raised the profile of trade in Southern California in a way that was not welcomed by the industry. It also contributed to industry concerns, reinforced by the 2004 peak season delays, that the cost of doing business in Southern California is sometimes too great.

As it turns out, the negotiations began early and ended with little fanfare. There was a decided lack of posturing on both sides and summer came and went without any disruption to trade flows. By then of course, the economy was the major story and both sides knew that the stakes were already high. There was a sense that the PMA and the ILWU wanted to avoid any dispute that would give shippers a reason to look to other ports.

While contract negotiations had less of an impact than I anticipated, labor relations still matter; and the issues that are of principle concern to both sides - including technology adoption - remain. If labor and terminal operators are distracted by declining cargo volumes at the moment, these other issues still linger just below the surface.

NEEDS WORK

COMPETITIVENESS AND TRADE TRENDS: It's the economy, stupid. The worldwide recession has been deeper and more sustained than even many economists predicted. I won't beat myself up too harshly for that. But it is clear that last year's look-ahead was too LA-centric. There are other forces at play, apart from global credit markets and bank failures, which are driving trade trends and influencing cargo volumes. When the dust settles and the economy recovers, will Southern California ports be able to continue growing at the pace to which we have become accustomed? It's time to start thinking about the role that changing trade trends play in this region's competitiveness. This means looking at, among other things, the true potential for diversion to east coast and gulf coast ports as a result of the planned expansion of the Panama Canal, and the impact of

container fees and an uncertain future for trucking on the decision-making process for cargo owners.

I think it's safe to predict that 2009 means a lot more uncertainty. The same unresolved issues plague local ports. On top of that, we have a new President, and decisions being made on the other side of the world about global trading patterns which will force all stakeholders to respond. This year, I am willing to hold off on any predictions and take an incomplete.