



PORT OF OAKLAND

MARITIME e-NEWS

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Port of Oakland Updates Operating Status, Waterfront Labor Talks

The Port of Oakland has released the following update on seaport operations and the status of waterfront labor talks. The report addresses the significant cargo buildup that has slowed cargo movement on the U.S. West Coast. It also looks at prospects for a longshore labor contract settlement or the threat of a coast wide port shutdown.

This status report can be reproduced, excerpted or posted. For quick, daily updates on the Port's status, go to www.Portofoakland.com

Status of Port operations

Q: What's the situation at the Port of Oakland?

A: The Port of Oakland, like other major West Coast container seaports, is facing a significant cargo buildup. Between 15 and 20 vessels a day await berths at its marine terminals. Vessels are arriving late and off-schedule due to delays at previous stops in Southern California. Ships wait days for berths. Cargo movement inside terminals has slowed down. Truck drivers sometimes wait hours to collect containerized imports for delivery. Cargo can be delayed days in reaching final destination.

Q: What's causing the buildup?

A: An impasse between waterfront employers and longshore labor has led to disruptions, slowdowns and reduced port productivity. Other contributing factors include:

- U.S. import volumes have increased with the strengthening economy;
- The introduction of megaships has strained the ability of ports—especially in Southern California—to efficiently handle cargo;
- Chassis, the truck trailers used to haul containers on the highway, are in short supply;
- Through much of last fall, shippers diverted a significant amount of cargo to Oakland to avoid port congestion in Los Angeles and Long Beach;
- Late-arriving vessels from Southern California are undermining berthing schedules.

Q: How long has this been going on?

A: Congestion in Southern California emerged in the late summer of 2014. The buildup in Oakland began in late November.

Q: Is this only affecting Oakland?

A: No, all West Coast ports are affected by these issues. The ports of Los Angeles and Long Beach are facing extreme congestion.

Port of Oakland Launches Maritime Operations Web Portal

The Port of Oakland this month launched its newest Web portal to provide up-to-the-minute maritime operational updates. Visitors can access the Web portal through a yellow pop-up message on the Port of Oakland's website home page: www.portofoakland.com

The new Web portal is a response to the prolonged waterfront labor talks which have created slowdowns along U.S. West coast ports. The portal provides real-time information in blog format and allows visitors to receive customized e-mail alerts. The portal also contains key contact information for marine terminals, terminal operators, rail operators, and government partners.

The Port of Oakland's new Web portal was specifically designed with the Port's customers and business partners in mind. Check the portal daily for status updates on port operations and labor-management negotiations.

Q: Is there a lockout at Oakland or other West Coast ports?

A: No. Employers at West Coast ports suspended vessel loading and unloading Feb. 7–8 and again Feb. 12 and Feb. 14–16 to clear container yards.

Consequences of cargo buildup and labor impasse

Q: Who's being hurt by the labor impasse and cargo buildup?

A: The impact is felt worldwide. Global supply chains—especially between Asia and the U.S.—have been disrupted. Multinational companies are reporting lost revenue and increased costs because they can't get products from overseas sources to markets or manufacturing centers. But the real impact is closer to home. Small business owners are unable to get goods on the shelf in time for long-planned merchandising programs. Some are paying high premiums for work-arounds such as airfreight. Manufacturers are at risk of closing down assembly lines because they don't receive parts shipments. California's Central Valley growers can't get perishable agricultural exports through the marine terminals quickly and onto ships for delivery to overseas markets. Thousands of independent harbor truckers are doing less business—and receiving less pay—because they're often stranded in long lines awaiting cargo. Businesses are beginning to furlough workers because their operations are stymied by cargo delays.

Q: What is this situation doing to the Port?

A: The labor impasse and cargo buildup jeopardize the credibility and standing of West Coast ports. Shippers and ocean carriers are

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losing confidence in the reliability of the ports. They're diverting cargo to other gateways in Canada, Mexico or through the Panama and Suez canals to the U.S. East Coast. Some vessels are temporarily bypassing Oakland because they're behind schedule after Southern California calls.

Q: What's the financial impact to the Port?

A: It's too soon to say. If this is a short-lived phenomenon, there'll be no lasting impact. But there is a long-term risk of job loss. If significant cargo declines become a permanent fixture on the West Coast, thousands of jobs will be in jeopardy.

Q: Is there no recourse for shippers—especially small businesses—damaged by this impasse?

A: Shippers can talk to the ocean carriers they contract with or the marine terminal where their cargo is stored.

Q: Can't the Port help them?

A: The Port doesn't manage terminal operations or the movement of shippers' cargo. It works with terminal operators to mitigate the impact of the cargo buildup.



Status of waterfront labor negotiations

Q: Who's involved in the labor negotiations?

A: The Pacific Maritime Association is the group of ocean carriers and marine terminal operators that hires longshore labor on the West Coast. The International Longshore and Warehouse Union represents dockworkers, marine clerks and others who work at the ports. The two sides are negotiating a new contract. President Obama has instructed the U.S. Secretary of Labor to talk to both sides.

Q: What's the hang-up on the labor front?

A: The last contract expired in July of 2014. Labor and management have operated without a contract since then. After months without reaching agreement on a new deal, both sides requested the participation of a federal mediator. Still, no agreement has been reached.

Q: What are the issues holding up agreement?

A: Neither side shares much detail about the negotiations. Traditionally, waterfront negotiations have involved issues of jurisdiction, compensation, benefits and the use of technology on the waterfront. Reports indicate that the right to dismiss appointed arbitrators for waterfront labor disputes has emerged as an issue.

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Terminal Status Update

What's next in the ongoing negotiations over a new contract for the West Coast waterfront? Will President Obama's labor secretary break the impasse? Will terminal disruptions come to an end? Or will ports end up in gridlock and shut down?

Those are questions shippers, truckers and carriers want answered in the wake of the PMA-ILWU dispute. One thing is apparent already: relief from months of diminished productivity isn't coming immediately.

Even if agreement is reached on a new contract, port officials estimate it will take 6-to-8 weeks to eliminate the cargo buildup at Oakland marine terminals. That means long lines; slow turn-times and vessels anchored in San Francisco Bay won't go away overnight. On the other hand, if cargo operations are shut down on the West Coast, the impact will be felt for months.

Here's the current situation in Oakland: four-to-six vessels anchor daily in San Francisco Bay awaiting berths. Another 10-to-12 hover outside the Golden Gate. Some vessels are temporarily omitting calls here to make up time lost by delays in Southern California. Once ports down south improve operations, off-schedule Oakland vessel arrivals should diminish. All of this should improve berth planning.

Gate lines: On most days, at most terminals, the wait is 45 minutes-to 1 hour outside the gate. That doesn't mean waits of more than an hour are a thing of the past. Waits of several hours still occur at one or two terminals.

Turn-times: These continue to vary among terminals. Waits of several hours to transact business inside the gates have not been uncommon. What will it take to improve the situation? It's complicated, but here's a list of requirements:

- More chassis inside the terminals; they've bunched up outside;
- Use of express lanes; several terminals have designated areas for quick resolution of simple trucker transactions;
- Use of appointment systems available in some terminals;
- Use of weekend gates;
- Greater efficiency and productivity.

Productivity: Throughout the labor impasse and cargo buildup, Port of Oakland vessel productivity has remained tops on the West Coast. That's the good news. The bad news: it is still down from peak levels.

Cargo volume: The cargo run-up to Lunar New Year has ended. Container volume is moderating.

Communications: The Port of Oakland will continue to distribute daily status updates summarizing vessel and yard activity and gate waits until a settlement is reached and the cargo backlog is cleared.

Long-term: Settlement of the labor impasse won't eliminate all supply chain problems at West Coast ports. Port of Oakland officials are examining operating models at other ports in search of ways to accelerate cargo movement. Better use of weekend gates, incentives for off-peak moves and improved appointment procedures are among the ideas under consideration.

Q: Why doesn't the mediator force a settlement?

A: The mediator can only facilitate discussion toward agreement. There's no prescribed power to enforce a settlement.

Q: What's the consequence of the impasse?

A: Management-labor disputes have led to terminal disruptions, sporadic suspension of operations, declining productivity and a slow-down in the movement of cargo.

Q: Why doesn't the government step in?

A: There's no legislative authority for government to intervene when the two sides aren't working under contract.

Q: Why doesn't the Port of Oakland step in?

A: The Port of Oakland doesn't hire longshore labor or manage terminals. It's not part of the negotiating process.

Q: Can't anyone solve this labor situation?

A: It's up to the negotiating parties to reach an agreement. Pressure from the public directed at lawmakers could help influence an outcome but so far there has been no politically inspired settlement effort.

Port of Oakland's role

Q: What part does the Port of Oakland play in resolving the labor dispute and cargo backlog?

A: The Port of Oakland is a landlord. It leases facilities to operators who manage marine terminals, contract with shipping lines and hire longshore labor. The Port doesn't hire dockworkers and has no role in the labor negotiations. Likewise the Port doesn't oversee terminal operations. It's the Port's responsibility to provide safe, efficient facilities and support maritime interests in moving cargo

Q: Is the seaport the only business of the Port of Oakland?

A: No. The Port of Oakland also manages Oakland International Airport and more than 20 miles of commercial real estate on the city's waterfront. The real estate holdings include historic Jack London Square.

Q: Is the Port doing anything about the labor issue and the backlog?

A: Yes. The Port has advocated publicly for a settlement of the contract dispute. It's in daily contact with labor and management to understand the issues. It's working daily with terminal operators and shippers to mitigate the impacts of the dispute.

Q: What steps has the Port taken?

A: The Port has worked with terminal operators on extraordinary measures that include:

- Weekend gates
- Express lanes in terminals
- Additional parking for trucks and containers
- Daily status updates for shippers and their truckers

Q: What's the Port of Oakland's stand on the labor impasse?

A: The Port of Oakland issued the following statement Feb. 4: "The West Coast waterfront labor impasse needs to be settled... quickly. Importers and exporters are suffering significant cargo delays. Central Valley farmers can't ship their produce. Small business owners can't

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Oakland Army Base

A global logistics hub envisioned for Oakland's decommissioned army base has taken a big step forward. The Port of Oakland and Union Pacific Railroad started construction last month to link the site with UP's main line.

"Connecting the Oakland Army Base to the national rail network is a milestone for us," said Chris Chan, the Port's Engineering Director. "To be successful, we must have good rail access."

The \$25 million project is financed by the Port of Oakland and the California Transportation Commission's Trade Corridors Improvement Fund. It's part of a \$100 million Port effort to significantly expand Oakland rail capacity. A 7,400-foot lead track and the reconfiguration of adjacent tracks should be completed in October. Once finished, the Port will be better positioned to receive bulk rail shipments at the former army base from Union Pacific and BNSF railroads.

The Port and City of Oakland expect to transform Trans-Pacific supply chains at the 360-acre former army base logistics center. Located on the Port's Outer Harbor, it would include warehousing, trans-load facilities and a dry-bulk cargo terminal. Here's how it could change the way exports are moved:

- Bulk shipments of commodities such as Midwest grain and beef could be delivered to Oakland by rail, trans-loaded into containers at the Port, and then exported via Asia-bound container vessels.
- Bulk shipments of other commodities could also travel to Oakland by rail. They would be loaded onto bulk vessels at a new dry-bulk shipping terminal and exported to Asia.

Union Pacific will manage construction of the army base rail link within its own property. The railroad has hired Oakland-based McGuire & Hester for a significant portion of the work. The Port has emphasized use of local contractors since construction began at the former army base in 2013.

Click here for aerial photos of the Oakland Army base rail project: <http://bit.ly/15eSvS>



"Oakland and other West Coast ports move ahead with expansion plans"

—Logistics Management

get goods to put on the shelf. Harbor truckers can't do their jobs. Everyone is suffering. If the situation, worsens... if West Coast ports shut down, the U.S. economy and the global supply chain will be jeopardized. In the San Francisco Bay Area, 73,000 jobs that depend on the Port of Oakland will be at risk. The impasse is good for no one. It is time to reach agreement on a new contract and put the disruptions and delays behind us."

Outlook for West Coast ports

Q: How much longer can this impasse go on?

A: There is no legislative or regulatory prescription for a settlement. The two sides have already been talking for nine months and still, there's no agreement. But recently the management negotiating group has said ports are nearing gridlock which could bring operations to a halt.

Q: Will there be a strike or shutdown at the Port?

A: That's up to the two sides negotiating for a new contract. Labor spokesmen have said the parties are close to agreement. Management has said West Coast ports are near gridlock which will soon result in a shutdown.

Q: If the dispute was settled, would ports go back to normal operations and cargo delays end?

A: Maritime officials estimate it could take four weeks after a contract agreement to clear out the cargo backlog on the West Coast.

Q: What are the immediate risks associated with a Port shutdown?

A:

- A coast wide work stoppage would disrupt supply chains and bring cargo movement to a halt;
- Tens of thousands of workers, from truckers and longshore labor to railroaders—could lose jobs;
- Factories could shut down;
- California's agricultural economy could be jeopardized;
- Small business owners could be forced to shutter their companies;
- Independent owner-operators could default on payments for their trucks;
- Consumers could find goods in short supply;

Q: What are the long-term risks?

A:

- Shippers could abandon West Coast ports for other U.S. gateways;
- More than 70,000 Bay Area workers depend on the Port of Oakland for jobs and many of those jobs could be affected;
- The U.S. consumer economy, which is based on low-cost sourcing of goods from Asia, could be undermined.

"The Port of Oakland is particularly important for poultry exports"

—Capital Press

Port of Oakland Cargo Volume Declined in January

Port of Oakland cargo volume declined dramatically in January, the result of an ongoing West Coast waterfront labor dispute. The Port reported this week that containerized imports were down 39% from January 2014. Exports declined 26%. Total volume was off 32%.

The Port attributed the decline to slowdowns arising from a dispute between dockworkers and employers over a new contract. Port operations at 29 West Coast ports have been affected by the impasse, now entering its ninth month. "With a decline in productivity and a breakdown in vessel schedules at all U.S. West Coast ports, cargo volumes are far from normal," said Port of Oakland Maritime Director John Driscoll.

The Port said importers have begun diverting containerized cargo to gateways outside the U.S. West Coast. These include ports in Canada, Mexico and the U.S. East Coast. It added that exporters have been challenged in shipping cargo to overseas markets because of vessel delays and diversions.

"The Port of Oakland is a garden of opportunity"

—KTVU Oakland

Air Quality Video

The Port of Oakland is taking a big step forward in curbing pollution from harbor trucks. That's the view of two experts discussing the Port's air quality efforts in a new video released this month. It's available here at <http://youtu.be/9YGZl3S8Zuk>.

Prof. Robert Harley, University of California, Berkeley, says rigs hauling containerized cargo in Oakland are newer and cleaner. Washington Burns, M.D., says this is helping Port neighbors cope with respiratory illness.

"This is a big step forward," says Dr. Burns, director of the West Oakland Asthma Coalition. "The Port said they'd reduce air pollution – and they're doing it."

The comments follow a study from the University of California, Berkeley and Lawrence Berkeley National Laboratory released last December. Prof. Harley and fellow researchers discovered "dramatic reductions" in harbor truck pollution. The improvements are linked to a Port of Oakland program that has modernized the truck fleet.

The study determined that from 2009 to 2013:

- The mean emission rate from diesel trucks operating at the Port declined 76% for black carbon, a major component of diesel particulate matter and a pollutant linked to global warming.
- The average emission rate for nitrogen oxides, which leads to the formation of ozone and additional particulate matter, went down 53%.

Thousands of diesel trucks call at the Port of Oakland annually hauling containerized imports and exports.

Bird Rescue

Twenty healthy seabirds endangered by mysterious San Francisco Bay goo were released at the Port of Oakland this month.

"It's always a big day for us," said Russ Curtis of International Bird Rescue, a Fairfield, Ca.-based nonprofit. "Our reward is seeing these beautiful, clean birds returned to their natural habitat in good health."

The birds are part of a flock of 330 rescued by the organization since January. All were taken from the Bay with unidentified goo that robs waterfowl of their natural insulation. More than 150 were found dead, covered in goo. Another 132 are still being treated. The rest have been returned to the wild.

The release took place at the Port of Oakland's Middle Harbor Shoreline Park. Rescuers said they selected the location because of its beauty, protected cove and proximity to the Bay. The Port worked with community and public agency partners to design and build the park as an ecological reserve for endangered birds and aquatic life.

Port employees assisted International Bird Rescue volunteers in setting the birds free.

"We're pleased to play a small part in this saga, but the real heroes are the staff and volunteers of International Bird Rescue who have saved so many seabirds," said Richard Sinkoff, the Port of Oakland's Director of Environmental Programs and Planning.

Each bird was medically stabilized at International Bird Rescue, cleaned with baking soda and vinegar and finally, Dawn detergent. The organization said there have been no new cases of soiled birds since Jan 22.

Attempts to find the source of the mystery goo have been unsuccessful.



Dredging

Ships hate mud. Birds, on the other hand, love it. A four-month project at the Port of Oakland has addressed both ends of the spectrum.

According to the Port, 400,000 cubic yards of San Francisco Bay mud have been extracted from an adjacent ship channel since August. All of the material was deposited on a former wetland bordering nearby Suisun Bay. The upshot: ships won't get stuck in the mud. But birds along the Pacific Flyway may get a refreshed habitat.

"Dredging is not glamorous," said Chris Chan, the Port of Oakland's Engineering Director. "But it's essential if we're going to keep bringing big ships into Oakland, and gratifying when it's environmentally sustainable."

The U.S. Army Corps of Engineers finished dredging 870 acres of Bay floor in January. The work cleaned up a 50-foot-deep channel leading massive container ships into 50-foot-deep berths at the Port. That's the desired clearance for thousand-foot-long vessels that could carry up to 14,000 20-foot cargo containers.

The Corps' challenge: finding beneficial use of the residue—river-borne sediment and shifting sands that sweep in with the tide. The answer in this case: the Montezuma Wetlands Restoration Project. Barges transported all of the dredged material 52 nautical miles northeast to this 2,400-acre marsh on Suisun Bay. Under regulations governing the Port, only 80% must actually be reclaimed.

Privately owned Montezuma Wetlands LLC is overseeing a project to restore the marsh with 1.75 million cubic yards of fill. The goal is to restore the site's original surface height. The Montezuma Wetlands have subsided 10 feet since being diked and drained a century ago. With a fresh topcoat, the wetlands should provide a more inviting habitat for shorebirds and other wildlife.

Dredging to keep navigational channels clear is an annual task at the Port of Oakland. Federal funds cover most of the cost that in 2015 will reach \$21 million. The San Francisco Bay Area's congressional delegation, led by Rep. Barbara Lee (D-Oakland), has been a longtime supporter of federal funding for Port dredging.

They Said It

"In April 2009 the Port of Oakland aimed at an 85% reduction in diesel particulates by the year 2020. Now a study has illustrated exactly how well the targets are being met."

—Handy Shipping Guide

"The Port of Oakland has been severely impacted by congestion at the Southern California ports."

—American Shipper

"Oakland is both benefiting and hurting from the continuing gridlock in Southern California"

—Journal of Commerce
