



**PORT OF OAKLAND  
SEAPORT**

JUNE 2017

# MARITIME e-NEWS

## Golden State Warriors salute

A crane at the Port of Oakland's Howard Terminal is illuminated with blue and gold floodlights to celebrate the Golden State Warriors' historic run to a second NBA championship in three years. The crane is adjacent to the Port's Jack London Square.



## Southeast Asia calls up

Direct vessel calls from here to Southeast Asia are up 50 percent this year, Port of Oakland officials say. Two U.S. Ambassadors to the region expressed delight at the news.

U.S. Ambassadors William Heidt (Cambodia) and Joseph Donovan (Indonesia) came to Oakland last month as part of the US-ASEAN Business Council's annual U.S. Ambassadors' Tour to study Oakland's role in Southeast Asian trade. Port Executive Director Chris Lytle told them it's growing rapidly.

Mr. Lytle said direct weekly vessel calls to Southeast Asia have risen from 10-to-15 since April 1. Highlights include:

- the first direct vessel service between Oakland and Jakarta;
- an increase from 2-to-4 weekly voyages linking Oakland with the Port of Laem Chabang near Bangkok; and

- an added weekly Singapore call enabling more cargo to be transported from nearby Cambodia to Oakland.

"Southeast Asia is a dynamic region with significant export potential and increasing demand for U.S. products," Mr. Lytle told the Ambassadors. "It's imperative that we position ourselves to serve this market."

The Executive Director said Oakland's growing Southeast Asian presence coincides with changes to shipping line alliances. Eleven leading ocean carriers realigned in April, sharing vessel services to control costs. One outgrowth of their restructuring was heightened emphasis on Oakland-Southeast Asia trade.

Shipping lines have been drawn to Southeast Asia due to shifting trade patterns, Mr. Lytle said. The region has grown as a manufacturing center for U.S.

markets, he pointed out. Meanwhile its growing middle class populations have increased demand for U.S. products. The result is an uptick in two-way trade, which should translate to more business for ocean carriers.

"The Port of Oakland, and the state of California more broadly, play a critical role in the United States' economic relationship with Southeast Asia," said Alexander Feldman, President and CEO of the US-ASEAN Business Council. "California is the largest U.S. exporter to Southeast Asia, with almost \$16 billion in exports just last year, supporting over 87,000 jobs. We are grateful to the Port of Oakland for hosting the Ambassadors, and we look forward to continuing our partnership in support of increased two-way trade between the U.S. and Southeast Asia, which last year totaled \$273 billion."

# More rail traffic for Oakland

Port of Oakland Executive Director Chris Lytle said last month that he wants more rail business in Oakland. He told a meeting of railroad executives in San Francisco that the Port is poised to make it happen.

"We have two outstanding partners at the Port in the Union Pacific and Burlington Northern Santa Fe railroads," Mr. Lytle told the annual meeting of the North American Rail Shippers Association. "And everyone in Oakland would like to see more cargo move in and out of the city on the rails than over the road."

Oakland's Executive Director briefed more than 270 industry leaders and cargo owners on the state of West Coast Ports. He said Oakland is building momentum following a record year for loaded container volume in 2016. He added, however, that there's plenty of room to grow on the rails.

Mr. Lytle said both major West Coast railroads operate at far less than capacity in Oakland. The reason: the Port's primary market for containerized

cargo is Northern California—more efficiently served by trucks than trains. But he added that Oakland's rail profile could improve soon thanks to recent investments at the Port.

Late last year the Port completed a \$100 million rail storage yard with 41,000 feet of tracks. The facility, within sight of Oakland marine terminals, should be ideally located for export shippers, Mr. Lytle said. He envisioned 100-car grain trains rolling into Oakland, then



transferring cargo to containers for ocean transport.

In mid-2018, Cool Port Oakland will open, Mr. Lytle said. The 300,000-square-foot refrigerated facility will be the pivot point for exporting beef, pork and chicken to Asia. Those shipments will likely come from the Midwest in rail cars, then go into ocean containers at Cool Port Oakland. Mr. Lytle said the facility will be able to handle 36 refrigerated rail cars at one time.

Developments next door to the Port could generate even more rail traffic, the Executive Director said. They're going up on city-owned land that was formerly part of the Oakland Army Base. They could attract cargo shipped in bulk - not a staple at the Port, but a likely candidate for the Port's rail yard.

Mr. Lytle said rail transport is the preferred means of shipping cargo in and out of the Port. It takes trucks off the road, he said, reducing freeway congestion and diesel emissions.

## Imports at two-year high

The Port of Oakland reported that containerized import volume reached a two-year high in May. The Port said it handled the equivalent of 82,440 20-foot import containers, up 1.4 percent from May 2016. It was the highest volume since August 2015 when the Port handled the equivalent of 82,492 20-foot import boxes.

Imports account for 48 percent of containers shipped through Oakland. "Our import volume has been up four consecutive months," said Port of Oakland Maritime Director John Driscoll. "That's encouraging as we head into the traditionally busy summer-fall peak season."

The Port said overall volume—imports, exports and empty containers—grew 2.2 percent during the first five months in 2017 compared to the same period last year. Meanwhile the number of vessels visiting Oakland was down 7 percent. Despite the fewer vessels, container volumes are growing due to the larger ships that visit Oakland, the Port said. For example, megaships capable of transporting up to 14,000 20-foot containers come to Oakland weekly.

## New Latin America service for Oakland

Reprinted from American Shipper May 23, 2017

French ocean liner CMA CGM has launched a new container service called "Azteca" connecting the U.S. West Coast with Central and South America.

The weekly loop will be operated in conjunction with north-south specialist Hamburg Süd of Germany, which was [sold to industry leader Maersk Line for 3.7 billion euros \(U.S. \\$4 billion\) in late 2016](#), although the deal has yet to be completed officially.

The Azteca service will have a port rotation of Oakland, Los Angeles, Lazaro Cardenas, Puerto Quetzal, Acajutla, Corinto, Buenaventura, Puerto Caldera, Puerto Quetzal, Lazaro Cardenas, Los Angeles and Oakland.

The service will enable the agri-food industry in Central and South America to export to North American market, carrying goods such as fruit, shrimp and wine, said CMA CGM.

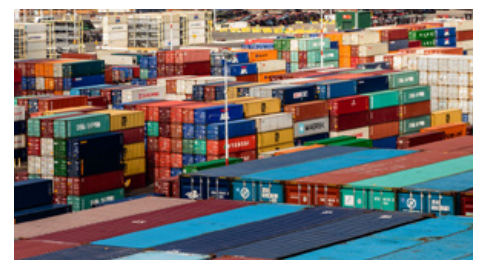
According to ocean carrier schedule and capacity database [BlueWater Reporting](#), there are currently 14 other services that call Central and South America from the West Coast of North America operated by Hamburg Süd, Hapag-Lloyd, Dole, NYK Line, MSC, Network Shipping, and Maersk's intra-Americas subsidiary SeaLand.

## SSA's Oakland International Container Terminal supports Oakland promise

*Facebook post from SSA Oakland's Susan Ransom*

Proud to be a part of Oakland Promise representing SSA Terminal Oakland at the Oakland Promise graduation event, and thank you Port of Oakland for bringing to our attention. May every child in Oakland (or anywhere) graduate high school, complete college and be successful in life. No goal is too big. For all you Oaklanders, or anyone else outside of Oakland, google Oakland Promise, such a worthy cause for the future of many young minds. Mayor Schaaf, who is leading the charge to affordable and better education for all is a breath of fresh air.

Here's photo: <https://www.facebook.com/susan.ransom.98/posts/10211201246380981>





# Moody's upgrades Port of Oakland's (CA) intermediate bonds to A2, assigns A2 to Series 2017, stable outlook

*Reprinted from Moody's Investors Service*

New York, June 09, 2017 — Moody's Investors Service has upgraded the Port of Oakland, California's \$656 million of senior lien bonds to A1 from A2, \$324 million of intermediate lien bonds to A2 from A3, and subordinate lien bank note rating to A3 from Baa1. Moody's has assigned an A2 rating to the port's \$260 million Intermediate Lien Refunding Bonds, Series 2017 (DEFG). The outlook is stable.

The upgrades reflect significant improvement in the port's credit profile, driven by a long-term and ongoing deleveraging; strengthened activity levels in its two principal business lines; improved debt service coverage ratios (DSCRs) and a materially improved cash position.

From FY 2009-2017, enplanements and twenty-foot equivalent units (TEUs) will have increased by an estimated 26% and 16%, respectively, stabilizing the port's primary businesses and driving improvements in consolidated DSCRs. Over the same period, debt outstanding has decreased by 30%, while unrestricted cash is estimated to have increased more than fourfold.

The strengthened activity levels, DSCRs and cash position provide greater

financial flexibility for the port, and are complemented by a trajectory of decreasing leverage, which we expect will continue. The port is scheduled to amortize \$376 million of principal over the next five years (includes \$94 million of commercial paper), and has sufficient sources to fund its capital budget without additional long-term debt (expects to issue \$24 million of commercial paper).

The ratings reflect the strong security pledge of consolidated revenues and our expectation that the combined enterprise will continue to produce senior net revenue DSCRs between 2.5-3.0 times and intermediate net revenue DSCRs between 1.5-1.7 times.

We expect continued operational stability in the port's two largest divisions, aviation and maritime, as these businesses have relatively stable and imperfectly correlated demand profiles, competitive assets, and benefit from their roles as providers of essential infrastructure for large and economically robust service areas. While both businesses have cyclical aspects of demand, the port's strong financial profile and manageable short-term capital needs

provide flexibility to manage fluctuations in activity.

At the same time, the ratings reflect our view that operating cost pressures and competitive constraints on pricing will continue to challenge margins in the port's primary business lines, and that the port's cash position will narrow from the current level as cash is contributed for capital spending over the next five years.

## Rating Outlook

The stable outlook reflects our expectation of stability in air passenger traffic and marine cargo volume; ongoing vitality in the regional economy; and manageable risk in the maritime division due to the landlord model employed, which will support financial stability through a period of operational transition and potential short term revenue volatility. These factors combine to support our expectation of continued healthy financial performance and strong DSCRs in aviation, stable financial performance and satisfactory intermediate DSCRs in maritime, and intermediate DSCRs of 1.5-1.6 times for the combined enterprise as a whole.



Derrick Muhammad (center), Secretary-Treasurer of International Longshore & Warehouse Union Local 10, joined a Port of Oakland free harbor tour in June. Derrick explained the role of Longshore labor at the Port to more than 200 passengers. He's joined by the harbor tour cruise captain and tour narrator Robert Bernardo of the Port of Oakland. For details on free harbor tours, go to the Port's website: [www.portfoakland.com](http://www.portfoakland.com)

