



**CITY OF LONG BEACH
HARBOR DEPARTMENT**



State of The Port

Richard Steinke
Executive Director
Port of Long Beach

HEADLINES IN THE NEWS

THE WALL STREET JOURNAL.

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**The Journal of
Commerce**

MARINE DIGEST
and
CARGO BUSINESS NEWS

Los Angeles Times

Press-Telegram

400,000 applicants for Port jobs

By Eric Johnson
Staff writer

LONG BEACH — The number of postcards mailed by the public last week to register interest in 3,000 part-time longshore positions at local ports will dwarf initial projections, officials say. A spokesman for the International Longshore and Warehouse Union estimates that at least 300,000 cards were turned in between Aug. 11 and Friday, the three-day window given by the union to potential applicants. The onslaught of cards further lengthens the already long odds for those in the general public who applied because their cards will go through an initial drawing to see who is entered into a final drawing with about 8,000 cards from those tied to the maritime industry. The 3,000 jobs will come from a final pot equally divided among industry cards and public cards, with the drawings slated for Thursday. It essentially means that, for

Press-Telegram

Those cards, called "recommendation cards" by ILWU Local 13 President Dave Arian, were distributed to people who union members and PMA officials deemed to be good candidates to work on the docks. The union's idea was to whittle down the number of public cards in the pre-drawing to match the number of preaddressed industry cards received. "Nobody considered having to deal with this large a pool," said Stallone, who is based in San Francisco. "It's gotten so much national publicity. I think it says something about the current job market. These are the only jobs available that aren't at Wal-Mart." The part-time longshore jobs are coveted because they pay a high starting wage

The part-time longshore jobs are coveted because they pay a high starting wage (\$20.66 an hour) and because the jobs can lead to entry into the strong longshore union.

The biggest headache for union officials figures to be how to weed out multiple entries from the enormous pool of cards. Those who sent in multiple cards (in the hopes of shortening their odds) were supposed to be thrown out of the process. "It does cause problems enforcing rules that multiple entries are disqualified," Stallone said.

The union and PMA agreed in July to add 3,000 part-time longshoremen, called casuals, to cope with unprecedented levels of cargo at the ports of Long Beach and Los Angeles.

But the openings sparked massive interest from the public, with long lines at post offices during the three-day opportunity to mail a card. Details of the hiring process were released in newspaper ads Aug. 11.

Friends and family of union members and PMA officials, however, learned of the details earlier, through preaddressed postcards mailed to about 8,000 people in the industry.

They're paying a mask over sponsorship," Stallone said. "It's a mathematical rain dance."

In decades past, it was impossible to get hired on the docks without being sponsored by a union member.

NLRB officials wouldn't comment on the legality of the two drawings until, or if, they take place.

"We certainly can't prejudge the issue," said NLRB regional attorney William Pate.

The NLRB has filed charges against the ILWU in the past, including in 1974, when the board ruled that the ILWU's sponsorship program did not constitute a fair hiring practice because it gave certain people preferential treatment over others for no apparent reason.

"Clearly then, the sponsorship program as maintained, was not simply a means by which an experienced longshoreman could recommend a deserving fellow unregistered employee," the board wrote in its decision. "Rather, it was based on whether or not an applicant knew the right person."

That case still holds sway, Pate said.

"That decision would be the focus of our investigation."

8,000 TEU Ships

By Bill Mongelluzzo
West Coast Editor

LONG BEACH — If you had an engineer's eye, you could make out that the ship is longer than three football fields and too wide to fit through the Panama Canal. Its bridge soars above you, perched 120 feet over the water. Its engine provides enough electrical power to light up a small city, and with its advanced mechanical systems, it requires a crew of only two dozen merchantmen. This vessel is fast, sleek, and very big.

Emblazoned on its bow in three-foot-high letters is its name, "CSCL Asia." It is the largest container vessel in the world.

New Era in Shipping

The Asia is one of a new generation of 8,000-twenty-foot-equivalent-unit (TEU) vessels that have begun to call at the Port of Long Beach, one of the only U.S. ports with the deep channels and large shipping terminals capable of handling these giant vessels fully loaded. And fully loaded for the Asia means 8,500 TEUs -- enough cargo to fill seven shopping malls.

In July 2003, the 8,100-TEU OOCL Long Beach became the first of these new mega-

The Journal of Commerce

Modern container ships carry a 40-foot container for less than 27 cents a mile. Low transportation and manufacturing costs overseas have contributed to the explosive growth in international trade. Last year, more than 4.6 million TEUs moved across the Port of Long Beach's docks. Through the first six months of this year, the cargo volume at the Port has increased more than 17 percent.

"These giant 8,000-TEU ships are being built to meet the great consumer demand for the low-cost products made overseas, said Port Executive Director Richard D. Steinke. "They are just another step in improving the efficiency of the transportation system."

Speed and Power

The mega-ships can operate steadily at 25 knots for days at a time, and they have to -- a trip from China to the U.S. West Coast takes about twelve days, including extra time to circumvent any bad weather.

...fully loaded for the CSCL Asia means 8,500 TEUs -- enough cargo to fill seven shopping malls.

"When these new big ships are sitting at berth, by themselves, they look quite normal," Livingstone says, "nothing extraordinary at all. Until you get up next to them and you are craning your neck up just to see the deck."

More on the Way

Like luxury cars, they are priced accordingly. The Asia's owners, China Shipping Container Lines, paid more than \$80 million dollars for the Asia, which was built in South Korea. The Shanghai-based company is planning to add four more of Asia's sister ships to its fleet in the near future. Orient Overseas Container Line, the owner of the OOCL Long Beach and Ningbo, has ordered a dozen of these mega-ships. CMA CGA plans to add at least 17 of the 8,000-TEUs ships to its fleet. COSCO has ordered five. MSC has ordered at least eight.

One keystone to increased efficiency is the "economies of scale" theory that translates into big, fast container ships. Today, ocean carriers move more than 95 percent of all the world's cargo and containerized cargo represents more than 70 percent of all dry cargo shipped. By increasing (scaling) the number of containers a ship can carry at one time, operating costs are reduced and, in turn, shipping costs per container are lowered.

engine weighs in at just under 2,100 tons.

At the working end of the OOCL Long Beach's 120-foot-long propeller shaft, a six-bladed, three-story-high propeller, machined from a single piece of cast metal, pushes the ship along.

Advanced Controls

Running such a large ship with less than two dozen crew members is only possible with the latest automated control systems, centered in the ship's bridge. From this nerve center, most of the hundreds of controls, valves, and switches throughout the ship can be controlled and monitored remotely.

"The first thing you notice on these vessels is the expansiveness of the bridge," says Livingstone. "There are lots of windows, lots of light. There are computers everywhere. It's like standing in the cockpit of the Space Shuttle."

While costs are critical for a vessel operator, these advanced designs also have the added benefit of being environmentally friendly. The new engines use less fuel and burn it more efficiently than the marine engines of only a few years ago. This results in fewer emissions to move an even greater number of cargo containers.

Economies of scale have led to a rapid increase in the size of all container ships and ships that can carry nearly 10,000 TEUs are on order. Even larger 12,000-TEU to 15,000-TEU ships sit on drawing boards waiting to be built. As world trade continues to grow, the importance of efficient and economical container transportation by sea remains an essential part of the world economy.

Rail Congestion Issues

By James F. Peltz, Times Staff Writer

Congestion woes continue to plague Union Pacific Corp. several months after it vowed to beef up service to ease massive logjams, particularly in

The Omaha-based railroad, which operates 33,000 miles of track from the Midwest to the West Coast, began suffering major bottlenecks last spring. It was the second time in six years that it had experienced severe congestion problems.

Union Pacific blamed the problems mainly on two events that caught it off guard: a surge in the U.S. economy and crew shortages brought on by changes in railroad labor laws that sparked a rash of retirements.

Deliveries of a wide variety of products, including lumber and consumer electronics, were delayed as Union Pacific's trains slowed to below-average speeds or spent too much time sitting idle. Some shippers scrambled to shift their loads to the other major railroad serving California, Burlington Northern Santa Fe Corp.

Union Pacific responded by aggressively hiring workers and buying new locomotives. Although employee training takes time, Union Pacific still should be performing better by now, Broughton wrote in his report.

Another analyst, Thomas Wadewitz of Bear, Stearns & Co., cited "a

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California or ends up here. Among what it transports are imports from Asia that flow through the Los Angeles and Long Beach ports, which have managed to unsnarl their waterborne traffic tangle.

For the railroad, "congestion and service issues still abound," analyst Donald Broughton of A.G. Edwards & Sons Inc. said in a report last week.

It's taking 24 to 36 hours longer than normal for Toyota Motor Sales U.S.A. in Torrance to get repair parts from Japan through the Los Angeles port and out to its main distribution warehouse in Ontario, said spokesman Xavier Dominicus.

That delays aren't as bad as the four-day holdups Toyota experienced in October, when a crush of holiday shipping brought near-record port congestion, but it's still "not a good situation," he said.

Another Union Pacific customer, Imperial County feed supplier Randy Armstrong, said he was forced to find alternative sources of corn feed last week. "I had to truck some down from Los Angeles" at an added cost of \$1,300, said Armstrong, grain division manager at Agri-Feed Industries.

Union Pacific spokesman John Bromley said that although the railroad's operations were improving, "we're not saying it's fixed. The service is not to the level we want."

plan. The analysts "are getting impatient to see results," Bromley said. "But it's going to take time and we've never promised anyone any deadline."

In the first nine months of 2004, Union Pacific's profit tumbled 49% from a year earlier, to \$525 million from \$1.03 billion, despite a 5% gain in revenue to \$9 billion from \$8.6 billion.

The company's problems echo congestion snafus that dogged Union Pacific in 1997-98, and they indicate the company is straining to keep up with a U.S. economy that is dependent on the railroad to keep goods flowing, said John Husing, an independent economist in Redlands.

"They've never really gotten in front of the curve," he said. "They didn't understand the volume that would come at them."

And pressure on Union Pacific to improve its West Coast performance is expected only to heighten.

Ports in Southern California and elsewhere on the Pacific Coast should brace for a swell of cargo from China, after the recent elimination of restrictions on that country's apparel and textile exports by the World Trade Organization, shipping experts have said.

MARINE *and* DIGEST

CARGO BUSINESS NEWS

The Distribution Center Phenomena

By Carol Park
Staff Writer

Cheap dirt is not the only enticing aspect of the Inland Empire for distribution centers. The highway system is a major draw.

Big Lots will open a 468,000-square-foot furniture distribution center in Redlands Aug. 2, said David Lynch, general manager of the

Walgreens held the grand opening of its 685,000-square-foot distribution center in Moreno Valley June 24. Walgreens hired 450 workers and will hire 50 more by September to staff the center. The center stocks 21,000 of the 25,000 products Walgreens sells.

Riverside County was the "best location for our needs, we looked at California, Nevada and Arizona but it was the infrastructure of highways" that clinched the decision to build in Moreno Valley, said Rick Deleon, Walgreens Moreno Valley Distribution Center manager.

Headquartered in Deerfield, Ill., Walgreens is a retail drug store chain that employs 160,000 workers at 4,414 stores in the United States and Puerto Rico. Walgreens generated \$ 32.5 billion in sales last year.

Mattel opened a 1.2-million-square-foot distribution center in May at the former Norton Air Base in San Bernardino and hired 130 workers. The center doubles as a warehouse and store and stocks mostly Fisher Price products, Andres said. Mattel will hire 200 more workers on a seasonal basis.

Headquartered in El Segundo, Mattel manufactures toys and employs 25,000 workers in 36 countries.

Warehouse and distribution centers provide employment for marginally educated workers who can climb the pay scale faster and better than in other industries such as manufacturing, local economist John Husing said.

“Mattel researched heavily and looked all over the U.S. We moved from Chino to San Bernardino not only for the space but because the infrastructure here is perfect for our needs. Transportation, access to highways, close proximity to the ports and to Mexico.”

the U.S. We moved from Chino to San Bernardino not only for the space but because the infrastructure here is perfect for our needs. Transportation, access to highways, close proximity to the ports and to Mexico" made San Bernardino the choice, she said.

Governor's "State of the State" Message

Peter Nicholas and Evan Halper
Times Staff Writers

SACRAMENTO - His popularity is high, his reelection chances bright, but in the state Capitol, a quiet consensus had emerged about Gov. Arnold Schwarzenegger's first year in power -- that in the end he didn't want confrontation, preferring ersatz reform and quick compromise to bruising political fights that might jeopardize his bipartisan appeal.

With a single speech last week, Schwarzenegger sought to eliminate that

“(My budget) won't stop the state from spending more than it takes in; it won't prevent a deficit next year that "will be even worse," the governor acknowledged.

solutions. He wants restraints in place that would trigger across-the-board budget cuts when spending outpaced revenue. That's the same sort of strict spending limit he touted in the recall campaign but later abandoned in the face of Democratic resistance.

Last week's speech called for scaling back pension benefits by switching to a 401(k)-style retirement plan in which state workers could no longer count on a set payout when they left government.

In a concession that partisanship and gridlock in Sacramento persist, he said he wanted to usher in, essentially, a different kind of Legislature.

He proposed a constitutional amendment to strip lawmakers of the power to carve their own districts, giving that authority instead to a panel of retired judges whose overriding goal would not be the protection of incumbents.

Los Angeles Times

Schwarzenegger aides said that step would introduce more competition to legislative races, perhaps bringing more moderate lawmakers to Sacramento.

"They managed to get through the [last] year, basically, by borrowing a lot of money.... He was Gray Davis with muscles," said Joel Aberbach, a UCLA political science professor. "Now the state is faced with a continuing deficit that's quite large. One way to interpret this is: He's finally facing the realities, and he has a set of proposals that at least is the beginning of an effort to come to grips with the problem."

Schwarzenegger is moving fast. He has called the Legislature into special session, meaning that any changes lawmakers adopt would take effect immediately. In a regular session, approved bills usually don't become law until the next year.

An early test of the governor's resolve will come soon. Next week, he is to introduce his spending limit, which -- if approved by the Legislature -- would be presented to voters for ratification in an election later this year.

No program or agency would be spared in the event the budget ever

voter-approved laws: Proposition 98, which guarantees local schools and community colleges 40% of the revenue coming into the state.

"This is our year of reform," said Patricia Clarey, the governor's chief of staff. "We could have done a budget that would just sort of gloss over the problems and get us through. And then we'd have the same problems next year. The governor is much more interested in making long-term structural change."

Opponents ask: At what cost? They contend that spending formulas are necessary for basic healthcare and other services to keep pace with a growing population.

Hutchison Investing in Ensenada at \$1.2 Billion

By Bill Mongelluzzo
West Coast Editor

LONG BEACH —The search for an alternative West Coast gateway to Los Angeles-Long Beach has led an international marine terminal operator and a U.S. railroad to an undeveloped site in Baja California, about 125 miles south of the U.S. border.

The Pacific ports, however, are small by U.S. standards and have little room for growth. Hutchison is therefore seeking a site where it can build a terminal from scratch. The company is said to be considering three locations south of Ensenada - Punta Colonet, Santo Tomas and Punta China. Punta Colonet, with its naturally deep water and plentiful waterfront land, is considered the best location.

While the greenfield site would give Hutchison the flexibility it needs to build a modern terminal that could handle 1 million TEUs a year, constructing it would be costly. "It's raw land. There are no roads, rail or sewer lines. They would have to build an entire support structure," said Jeffrey Amos, a director of Don Breazeale & Associates, a consulting firm that has studied the region south of Ensenada. "It would be 10 years before they move the first container."

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Such diversions have always been temporary. Mexico's ports cannot accommodate the post-Panamax vessels that dominate the U.S. trade with Asia, and inland transportation links remain weak. Hutchison, though, is looking to the long term for a deep-water port with intermodal rail connections to the U.S. border.

Hutchison does not view its potential investment as challenging the growth of Los Angeles-Long Beach, which handled 13 million TEUs in 2004. Instead, it sees a Baja California port as another North American gateway that will be needed to accommodate the exploding trade with Asia. "People are just looking for options," Powers said.

Hutchison, the world's largest operator of container terminals, is well-entrenched in Mexico. It operates marine terminals in Lazaro Cardenas, Manzanillo and Ensenada on the Pacific Coast and Veracruz on Mexico's Gulf Coast.

If Hutchison and UP team up for a cross-border intermodal service, they shouldn't encounter any major logistics or customs problems, Powers said. There is already frequent cross-border rail service for domestic cargo, and customs services on both sides of the border are experienced in handling large-volume shipments. "The basics are all there," Powers said.

But the market isn't static, and before a large container port can be developed on Mexico's Pacific Coast, several developments are likely to change the competitive environment. Oakland, Portland, Ore., Seattle and Tacoma all have excess capacity and efficient intermodal rail connections to the eastern U.S. to provide immediate relief from the growth pressures in Los Angeles-Long Beach. Vancouver, British Columbia, is expanding its marine terminals and likewise has well-established intermodal connections to the U.S. interior.

Dubai Ports Purchase CSX Assets

December 10, 2004

Dubai Ports International is buying the foreign port operations of U.S. railroad company CSX Corp. for \$1.15 billion in cash, the companies have announced.

The deal, which is due to be formally completed in the first quarter of 2005, will elevate DPI to one of the top six port operators in the world.

operators in the world, the statement said.

Jacksonville, Fla.-based CSX also has interests in logistics businesses in Hong Kong and China, as well as a 25 percent stake in Pusan Newport in South Korea, which is due to open in 2006.

DPI Managing Director Mohammed Sharaf said "the acquisition of CSX World Terminals will be a strong strategic fit for DPI, bridging out terminal network between East and West."

CSX Corp. Chairman Michael Ward said selling the ports allows it to focus more on its U.S. railroad business.

The Journal of Commerce

DOT Opens Regional Office in Long Beach

BY PETER TIRSCHWELL

Last week, one of our JoC Online headlines proclaimed, "Congestion over at LA-Long Beach," and, strictly speaking, it was perfectly accurate. As our West Coast Editor Bill Mongelluzzo reported, for the first time since June there was not a single vessel sitting idle at the Los Angeles-Long Beach port complex. The peak, pre-holiday shipping season is finally, thankfully,

It is the desperate need for leadership that created more than just passing interest in an announcement purposely intended to be low-key. This was the Nov. 17 opening of a new Department of Transportation office in Southern California dedicated exclusively to helping relieve freight congestion at Los Angeles-Long Beach. It will be headed by a Maritime Administration official, Randy Rogers. The DOT admits it doesn't have all the answers and didn't want to come across as if it does - hence the subdued nature of the announcement. But nevertheless it signals something important, which is the rapidly growing focus at the DOT on issues of freight congestion and an unwillingness to remain on the sidelines of a problem with clear national implications.

Can the DOT provide the leadership that Southern California is looking for? That jury will probably be out for a while. People have been trying to solve Southern California's congestion problems for years, and the federal government has barely been involved. Uncle Sam, moreover, has a bad reputation within the maritime industry for taking its money and not reinvesting it in the system.

But there is reason to believe the DOT will be a helpful presence in Southern California. For starters, it's approaching the situation with caution and humility. "We're not interested in reinventing any wheels. We're not showing up with any bright ideas or immediate solutions," Jeffrey Shane, DOT undersecretary for policy, said in an interview last week. Instead, the DOT wants to serve as a catalyst for progress, a leader, if you will, Shane said.

Can the DOT provide the leadership that Southern California is looking for? ...Uncle Sam has a bad reputation within the maritime industry for taking its money and not reinvesting it in the system.

more specifically the system of interrelationships among people, organizations, companies and agencies that are connected to the port. It's the dysfunctionality within this aspect of the system that has been the chief source of the gridlock so evident these past several months.

With so many stakeholders in this arena, it has been difficult for any individual or organization to assume a genuine position of leadership. The great steps forward in Southern California, such as the Alameda rail corridor, were achievements of leadership more than engineering or technology, as significant as those factors were. Yet leadership in equally critical areas, such as longshore labor relations, has been sorely lacking. That was demonstrated by the surprise shortage of manpower this summer that created the worst vessel backups since the 10-day port shutdown in the fall of 2002.

will be more federal money available to fund capacity improvements at ports. This is a DOT program, and its progress reflects the refocusing of the DOT around freight and passenger mobility and the realization in Washington that capacity constraints are growing and have economic consequences. As Shane said, "There is a lot of evidence that we are beginning to hit the wall in terms of the capacity of our transportation system in all modes, so it's important that we begin to think creatively." The DOT's new beachhead in Southern California sounds like a good start.

What does it all mean and what sense do we make of it all?

Are we putting ten pounds in a five-pound bag?

Plans to Improve Efficiency

- A System-wide Approach to Goods Movement -

Pier Pass



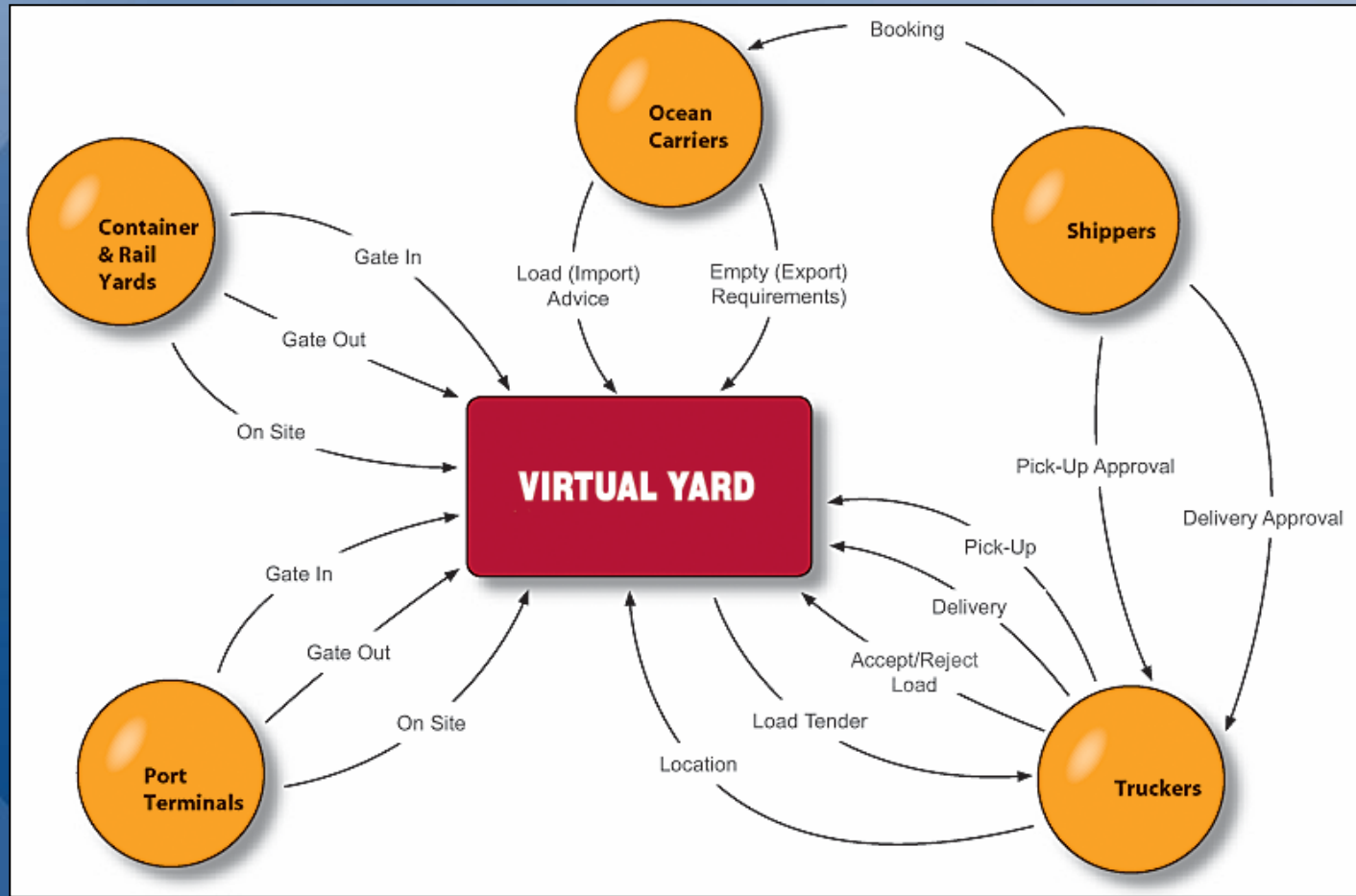
More On-Dock Rail



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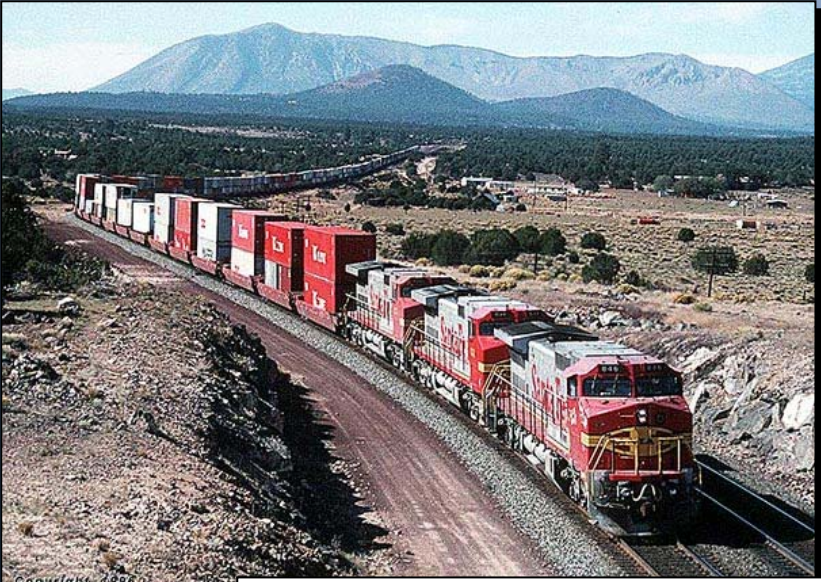
More Efficient Terminals



Road and Rail Upgrades



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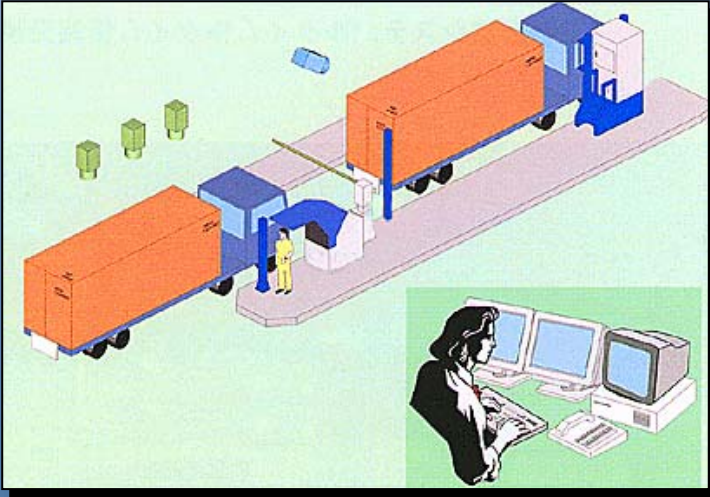
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October 2003

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Technology Implementation



Challenges

Mitigating impacts of the growth of international trade

- Air Quality**
- Congestion**

Challenges

Protecting our market share *while* ensuring the benefits of trade to the region.

We can have our cake and eat it too.

We must not be perceived as being unreliable.

We must maintain velocity.

Action Plan

Mobilize those that benefit from the region's goods movement system.

Get the shippers (Wal-Mart, Target, Home Depot, etc.) to impress upon the Feds that California needs Federal money to insure goods movement to the rest of the county.

Action Plan

California is a donor state.

The Maritime Transportation System provides \$23 billion each year in Customs revenues. Not one dollar comes back into the maritime system. We need our fair share back!

Action Plan

We need to have National Port Planning.

Can you imagine the National Air Transportation System in the absence of the FAA?

Ports have not had the benefits of the attention they need.

Action Plan

It's not all doom and gloom.

In 2004, LA/LB set a new cargo record, handling the equivalent of 13.1 million twenty foot containers. This needs to be recognized and appreciated.

We are working on major initiatives to improve our systems and our environment.

International trade is an economic engine and is good for the City, region state, and nation.

The challenges are in front of us.

**How we collectively deal with them
will be the headline of the future.**

Thank You