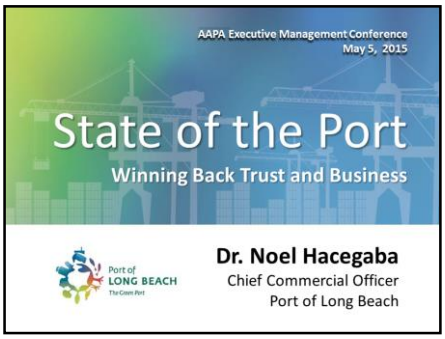


Thank you.

I'm honored to be here, for the AAPA's Executive Management Conference, to have the opportunity to address such a distinguished group of port professionals.

As an alumnus of the program, I can tell you that I've been well-served by the training.

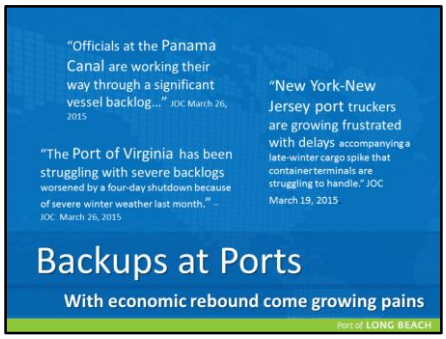
But first, since it would take me too long to describe my Port, allow me to show you all a little video.

(Advance slide to start video)

So we're all here today to talk about congestion and efficiency challenges

If you've heard anything about the Port in recent months, it was probably that we had ships backed up.

Cargo was diverted, and now we're busy meeting with our customers to regain and re-grow our business.

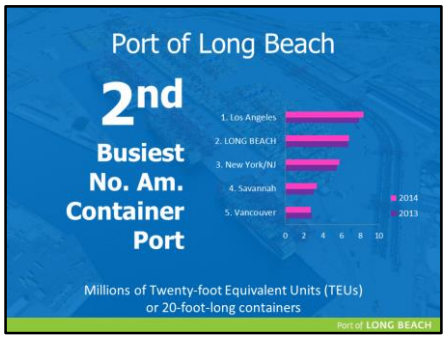


There are similar backups at ports around the country, and around the world.

We're bigger.

Our congestion had a much greater impact.

So consequently, we attracted much greater attention.



The Port of Long Beach is North America's second busiest container cargo ports.

No. 1 is our neighbor, the Port of Los Angeles.

NY/NJ is third.

Savannah is fourth.

And Vancouver is fifth.

We are a major economic engine.

Last year alone, $180 billion worth of trade moved through the Port of Long Beach.

The goods include clothing, toys, shoes and furniture – much of what you find on the shelves at Walmart or Target.

Nearly two-thirds of our imports come from China.

And roughly half of our exports are headed to China.

The Port of Long Beach is a government agency, a department of the City of Long Beach.

Unlike most government agencies, our operations are not funded with tax dollars.

Our revenues come from our terminal leases.

And with our revenues, we invest in terminal and infrastructure improvements so we continue to grow our business and support jobs.

There are many reasons for our success.

One is the enormous support network we have throughout this region.

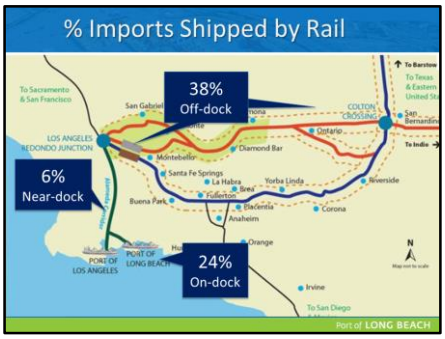
In addition to the two biggest ports in the nation, we have one of the biggest concentrations of warehousing and distribution facilities.

Nearly 1 billion square feet.

These facilities distribute goods to us locally, of course.

But much of what comes through the ports and the warehouses and distribution facilities move on across the country.

We are served here by two transcontinental rail roads: BNSF and UP.



We give you multiple options for moving cargo by train.

38% of our imports goes directly on trains, either on-dock, near-dock and off-dock, and heads across the country

- **-- 24% on-dock (20% in POLB, and 27% in POLA)**
- **-- 6% ICTF**
- **-- 8% off-dock at East LA**

30% is transloaded, re-loaded into domestic containers, before being loaded onto trains.

- **This is first trucked out of the ports.**
- **Then transloaded and sent to off-dock yards in East LA, Colton, San Bernardino**

32% is trucked and STAYS LOCALLY

You can see from the location of the major rail yards where the warehousing and distribution centers are concentrated – basically along the 710 Freeway corridor and in the Inland Empire

Again, the warehousing is for us here in Southern California.

But also for distribution across the country – much of it by transloading.

Transloading provides a big savings for shippers.

The international 40-foot containers arrive here.

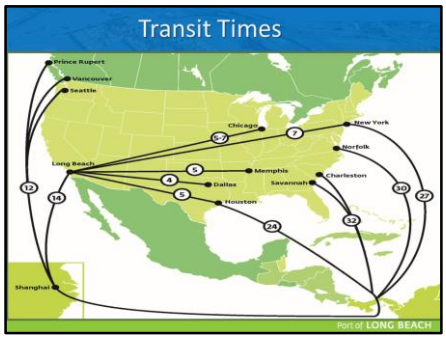
But by "transloading" from three 40-footers into two domestic 53-footers, you need only two trucks instead of three.

As much as 40% of the imports coming into the ports are transloaded.

That means jobs – warehousing and trucking jobs – throughout the region.

And also a vibrant industrial real estate market.

As the port and trade grow, so does the demand for industrial real estate.



Another of our advantages is faster transit times to much of the U.S. from the Far East.

As you can see on this map.

Not quite as fast as the Pacific Northwest to Chicago.

But we can reach the rest of the U.S. faster.

And we have much better weather.

Transit times matter.

This graphic shows the "carrying cost" using three key trade routes from China to the U.S.

On average, each container coming through the ports carry $30,000 worth of goods.

If you're a major importer, and you ship 5,000 TEUs a year – that's a $150 million investment.

Your corporate cost of capital is likely to be about 8% a year.

So in the 19 days from Shanghai to Chicago through POLB, you've paid $7.5 million a year in carrying cost.

That's the cost of your investment sitting "idle" during

transit.

Now look at your costs going through the Panama Canal through NY/NJ and back to Chicago.

That's 30 days and an extra $4 million.

That's why it pays to ship through Long Beach.

Through the Suez Canal, that's 36 days and extra $7 million.

As you can imagine, all of this Port activity has a huge impact on the local economy.

We support 1 in 8 jobs in Long Beach – that's 30,000 jobs in moving cargo, trucking, warehousing, construction and engineering.

More than 300,000 jobs in Southern California are supported by the Port.

And almost 1.5 million jobs nationally.

These are impressive numbers, but we recognize that in order to continue to be a good community partner and the region's economic engine, we have to remain competitive.

We champion all types of cargo including vehicles, breakbulk, liquid bulk and even satellites.

We do however earn about 75 percent of our operating revenue from containerized cargo.

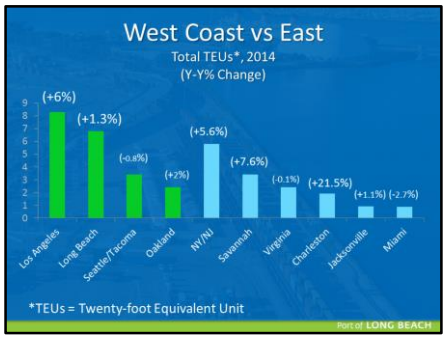
Port communities throughout North America are trying to take our business.

And our jobs.

Ports in Canada, Mexico and the US East Coast want our business.

And the expansion of the Panama Canal now under construction could make it easier.

But we aren't standing still.



Last year, POLB and POLA grew a combined 4% -- most of it the Port of Los Angeles.

The major East Coast ports grew a little faster.

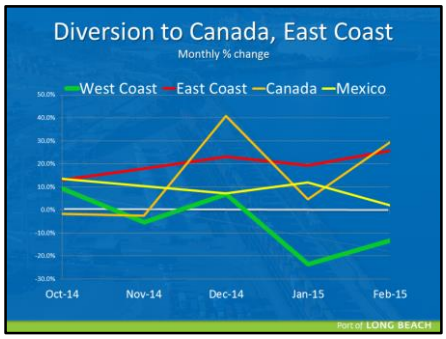
NY/NJ up 5.6%.

Savannah 7.6%.

And Charleston 21.5%.

Much of those gains came because of the increasing trade with Southern Asia: India, Pakistan and Bangladesh.

A little, especially late in the year, came from diversion.



As you can see, East Coast and Canadian ports saw big increases during the worst of our backup and labor dispute.

The East Coast increases are in the red.

The Canadian gains in the orange.

Mexican ports also gained, but not as much.

The green is the West Coast, which fell substantially.

That is beginning to turn.

In Long Beach we were up 32% in March – our best March ever. April numbers should be very good as well.

So we expect to rebound, and rebound quickly.

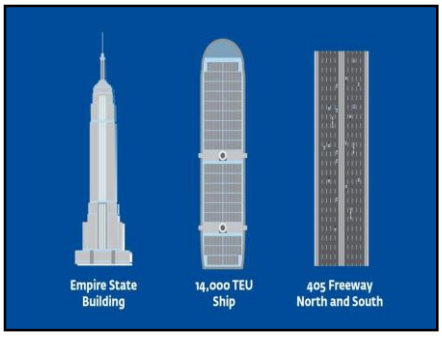
So why did the backup happen?

Ports around the world are struggling to accommodate larger ships.

As the biggest ships come to Long Beach, our big ships go to smaller ports.

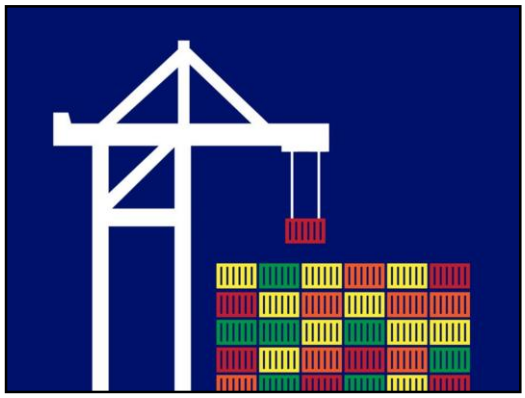
All of us need bigger cranes and terminals, and deeper water.

Plus, we need faster, smarter, better integrating operating systems.



a 14,000 TEU vessel is as long as the Empire State Building is tall,

and as wide as the 405 freeway, both north and southbound.



As ships have grown larger, and more alliances have formed -- this block stowage process is severely compromised.

Now, containers are being loaded by various carriers at multiple ports, resulting in a more random loading pattern.

According to one of our terminal operators, his load plan looked more like an unsolved Rubik's cube.

So what are we doing to ease congestion and deal with bigger ships and the alliances.

Earlier this year, the Federal Maritime Commission agreed to waive anti-trust concerns and allow the Ports of Long Beach and Los Angeles to discuss joint initiatives to improve productivity.

On April 22, we held a fact-finding public forum and private focus groups with our industry stakeholders.

We're gathering input and ideas.

We did something similar several years ago to deal with air quality issues and were quite successful.

Just two years ago, we formed a stakeholder group to look at how to more efficiently distribute chassis.

These are the trailers on the back of each truck cab, used to move cargo containers.

For decades, they were owned by the individual vessel operators.

But that meant for each shipment truckers had to match up the chassis with the container.

If you moved an Hanjin box, you had to use a Hanjin chassis.

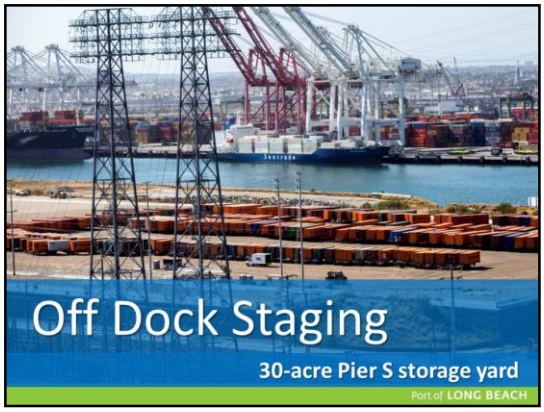
In our new era of vessel alliances, finding the right chassis became very time consuming.

At the same time, with the Great Depression, vessel operators decided to divest themselves of their chassis and switch to leasing companies.

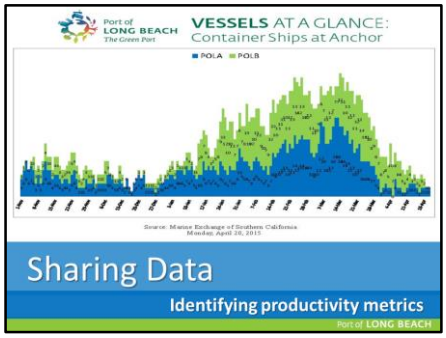
So our stakeholder group developed a “pool” system.

Truckers can use any pool chassis, regardless whose container.

The pool of pools began in March, and looking at the early performance, we can see that it will be a great time saver.



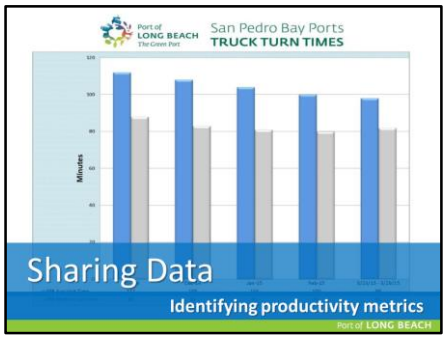
We've opened up our vacant Pier S temporarily as a container depot, and it's being used as a means of more rapidly moving containers out of terminals.



We're posting information on the ships in the port, at anchor and at berth.

And the backlog of ships is gone.

We're back to the normal ZERO, one or two ships at anchor – not the nearly 30 at the worst of the back up.



We're also posting truck turn times so we can monitor improvements.

Another big breakthrough was the tentative agreement between the terminal operators and longshoremen.

We had backups because of big ships and the big alliances, but the major congestion came last fall when labor talks broke down between the Pacific Maritime Association and the International Longshore and Warehouse Union.

In February, they reached a tentative accord, and ratification is scheduled for the end of May.

That with give us at least four years of labor peace.

As I said cargo is beginning to move much faster.

Where we had as many as 28 ships waiting outside the two ports for an open berth – on April 19th, there were ZERO waiting for a Long Beach berth, and only two waiting for an LA berth.


Recent Picketing
Teamsters union active at some port gates
Port of LONG BEACH

In addition, we're making major investments in upgrading our facilities.

We're moving ahead with more than $4 billion in massive projects during this decade to keep Long Beach competitive.

This year alone, the Board of Harbor Commissioners approved nearly $600 million dollars for capital improvement projects.

This 305-acre facility will be one of the cleanest and world's most technologically advanced container terminals.

Nearly all the terminal's cargo-handling equipment is electric powered.

The buildings all meet the highest standards for energy and water conservation.

When completed, Middle Harbor's capacity will be 3 million TEUs – more than double the current capacity with half the air emissions.

Let me put this in perspective for you, 3 million TEUs is more than all but three US ports – Port of Los Angeles, Long Beach and New York/New Jersey.

That means that this terminal by itself would rank as the 4th largest port in the nation.

Computers will place the containers onto yard vehicles.

The yard tractors will be all electric.

So no more air pollution.

Plus, the vehicles will be driverless.

Another of our major projects is the $1.3 billion replacement for the Gerald Desmond Bridge, which carries 15 percent of all imports brought from overseas into the U.S.

It will be taller to allow much bigger ships to enter our inner harbor.

The iconic new bridge will become an exciting addition to the Southern California skyline.

It will include a bike and pedestrian pathway, so you can stand 205 feet over the water, watching the entire waterfront as ships pass beneath you.

In addition to our construction, we have many projects to protect our environment.

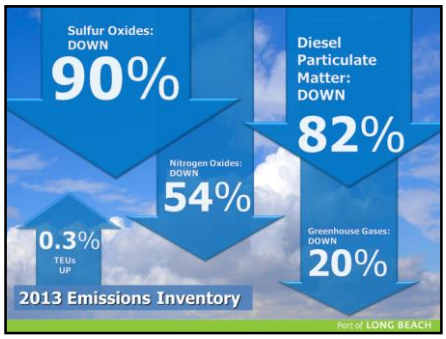
In 2005, the Port of Long Beach committed to a Green Port Policy, a broad range of environmental improvement initiatives that are now integrated into every aspect of Port operations.

In 2006 we adopted a Clean Air Action Plan.

We have worked to clean all the big machines at the Port: ships, trucks, trains and tugs.

Green Flag, Clean Trucks, Shore Power --- program after program has been successful in improving air quality.

The result is an 82% decline in diesel emissions since 2005.



Over all, we have reduced all of the key air pollutants.

Especially notable, is the 82% decline in diesel emissions since 2005.

Later this year, we will have the 2014 emissions inventory.

And we have a new project.

It's called Energy Island – and it will develop and implement ways to capture the power of sun, wind and sea to create new energy resources.

The goal of Energy Island will be to provide self-sustaining and reliable energy for the Port.

It will also increase our economic competitiveness by providing alternative fuel infrastructure to support clean transportation options.

It will provide self-sustaining reliable energy for our Port of the Future.

This is an exciting concept, so stay tuned.

As you can see, the port is making major contributions to Long Beach, the region and the nation.

We're making sure that we stay competitive.

We're moving ahead with industry-leading green initiatives.

For all us, the future is bright.