

# Making California Ports More Competitive Can Help Regional, State Economies

## Summary

### Background

California is home to some of the largest container ports in the world, including the first and second largest ports in the United States in terms of container traffic. The economic impact of these ports—which includes the ports of Los Angeles, Long Beach, Oakland and San Francisco—reaches beyond their home regions. California’s 11 ports, which span the state from north to south, create hundreds of thousands of jobs and generate more than \$40 billion in economic activity each year. Operations at these ports are managed by public entities and funded privately through fees paid by those who do business there.

International trade accounts for 25% of the overall state economy, and the Southern California ports are responsible for 40% of the nation’s imports. On average, 7 million cargo containers move through the Los Angeles and Long Beach ports each year. In addition to being the busiest port in the country, the Port of Los Angeles also holds the title of 16th busiest container port in the world and sixth busiest container port internationally when combined with the neighboring Port of Long Beach.

Its top trading partners in 2012 were: China (\$159.26 billion); Japan (\$48.04 billion); South Korea (\$24.05 billion); Taiwan (\$15.63 billion); and Thailand (\$10.74 billion).

The Port of Oakland is very busy as well—it handles almost 100% of the containers moving through Northern California, and its overall cargo volume makes it the fifth busiest container port in the country. In total, the Port of Oakland has a \$10 billion positive economic impact on Oakland and neighboring cities every year.

### Economic Impact of California’s Top Ports

	Los Angeles	Long Beach	Oakland
Annual trade value	\$223 billion	\$140 billion	\$41 billion
Job creation, statewide	1.1 million	371,000	73,000*
State tax revenue	\$5.1 billion	\$5.6 billion	\$462 million
Top trade partner	China	China	China, Japan
Top export commodity	Cotton	Motor vehicles	Fruit and nuts
Top import commodity	Motor vehicles	Oil	Machinery

\*Regional jobs.

Sources: Port of Los Angeles, Port of Long Beach, Port of Oakland, and WorldCity, Inc.

### Investing in Infrastructure

To compete with expanded and renewed ports in the United States and around the world, California ports have invested in redevelopment projects to improve efficiency and reduce emissions.

#### Los Angeles

The Port of Los Angeles has embarked on a \$22 million project to rehabilitate a main surface street truck route that starts in San Pedro and Wilmington. In addition, the port has entered the final phase of a \$370 million dredging project that will deepen its main channel.

On the matter of cruise lines, in February 2011 the Port of Los Angeles became the first port in the world to provide Alternative Maritime Power™ to three cruise lines. The technology eliminates ship exhaust when ships are at berth—improving air quality in the Los Angeles region.

In April 2012, the Los Angeles Harbor Commission adopted a Port of Los Angeles five-year strategic plan for 2012–2017, which focuses on three areas: competitive operations, strong relationships and financial strength.

Additionally, in November 2013, the Port of Los Angeles announced a new incentive program to reward shipping carriers for bringing new business by moving more containers through the port.

According to the Port of Los Angeles, for every \$1 spent by port industries, another 97 cents is generated in indirect and induced sales in the region. Hence, maintaining the economic health of these ports is a vital component of improving California’s overall fiscal condition.

The economic downturn, which began in 2008, had a significant negative effect on cargo volumes and revenues at container ports throughout the country. As the economy has begun to steadily recover, however, so too have the national import and export levels. Indeed, in 2012, the Los Angeles Customs District imports set a national record at \$282.16 billion in imports. When 2013 data is released early in 2014, it is likely that the Los Angeles Customs District will have surpassed \$300 billion in imports, according to the Port of Los Angeles.

### Long Beach

The Port of Long Beach, which celebrated its 100th year of service in 2011, has started a decade-long, \$4.5 billion redevelopment project to modernize the port by building cleaner and more efficient infrastructure.

One massive project entails conversion of two aging shipping terminals into a world-class facility that will move twice the cargo by adding on-dock rail capacity, shore power hookups and a longer wharf. Another major project includes replacing a bridge to allow additional clearance for larger cargo ships, plus a wider channel to ease the flow of ship traffic to and from the terminal.

More than \$470 million has already been spent on a multi-year renovation of the ITS container terminal, and all new buildings have received a “gold” rating from the Leadership in Energy and Environmental Design (LEED) program of the U.S. Green Building Council.

### Oakland

In addition to all of the infrastructure redevelopment taking place at the Southern California ports, the Port of Oakland in Northern California has a planned development for a \$1.2 billion conversion to increase port capacity by turning the old Oakland Army Base into new terminals, new warehouses, 30 acres of truck parking and service centers, and a new recycling center.

Another project involves establishing a “Green Trade Corridor Marine Highway,” with the goal being to provide a viable marine highway service stretching from West Sacramento to Oakland with stops in Stockton. This Marine Highway was devised to improve goods movement in Northern California, decrease emissions and relieve traffic congestion on major roadways.

The Port of Oakland also has started a venture to design and construct high-voltage electrical infrastructure to allow ships to plug into the electric grid while docked, which will achieve the substantial emissions reductions required by the California Air Resources Board.

### San Francisco

The Port of San Francisco has been busy as well; it has begun construction on developing Pier 27 to accommodate cruise ships. Also of note is the recent expansion of the repair shipyard at Pier 70, which has resulted in a 28% increase in cruise ship repair business.

Moreover, to improve its cargo capacity and take advantage of the recent demand for bulk export facilities, particularly for iron ore, the port will invest in developing a bulk shipping facility at the vacant container terminal at Pier 96. Meanwhile, the port continues to improve and expand its port rail infrastructure.

California’s ports have enjoyed many success stories this past year, and it is critical for state leaders to continue helping to facilitate this growth. The opening of the expanded Panama Canal in 2014, a \$5.25 billion project, underscores the need for even more redevelopment projects that would improve operations at California ports and keep them competitive on a worldwide scale.

## Environmental Stewardship and Looking Forward

California ports have shown tremendous leadership in taking the initiative to implement projects that reduce emissions and improve regional air quality.

- The Port of Long Beach has adopted a Green Port Policy under which its new buildings will meet at least the silver-level of the LEED standard.
- The Port of Los Angeles recently completed its World Cruise Center Solar Rooftop Project. This solar powerhouse will generate 1.2 million kilowatt hours of electricity each year and reduce emissions by 22,800 CO<sub>2</sub> tons. In 2010, the Port of Los Angeles committed to being the greenest port in the world by incorporating sustainability into all port activities.

To renew their commitment to improved air quality, the ports of Los Angeles and Long Beach approved an updated version of their Clean Air Action Plan (CAAP). This measure includes strategies to reduce by 45% pollution generated by ships, trains, trucks and other machinery used at the ports. The most significant addition to the CAAP is the development of the San Pedro Bay standards, which were proposed to further reduce pollutants in the local region. This plan establishes long-term goals for reductions in emissions and health risks.

On October 1, 2011, the Clean Trucks Program was launched by the ports of Long Beach and Los Angeles. The program set a goal to reduce air pollution from its truck fleet by 80% by 2012. The effort surpassed this goal and reduced emissions by 90%.

Going forward, California ports face significant growth challenges and opportunities. They must be able to maintain competitiveness with other national and international ports, while balancing the emission and energy

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requirements of AB 32. Additionally, regulatory mandates and increasing costs may pose obstacles to healthy growth. But by using federal grants and initiating innovative energy projects, the state can ensure that ports possess a stable and reliable power supply that lessens the burden of AB 32.

### **CalChamber Position**

The California Chamber of Commerce supports policies that result in improved trade volumes, increased employment, and enhanced economic growth. Improvements in infrastructure will ensure that the state's ports remain vibrant and competitive. California lawmakers should focus on policies that improve public-private partnerships to invest in port infrastructure and remove unnecessary regulatory barriers to growth.

The CalChamber supports the following policies in order to make California ports more competitive:

- A fair, balanced, workable regulatory environment;
- An enhanced public-private partnership for immediate investment in trade-supporting infrastructure;
- Strategic trade policies that stabilize and improve state and national economies.

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