

California's Ports: Can They Handle The Coming Deluge?

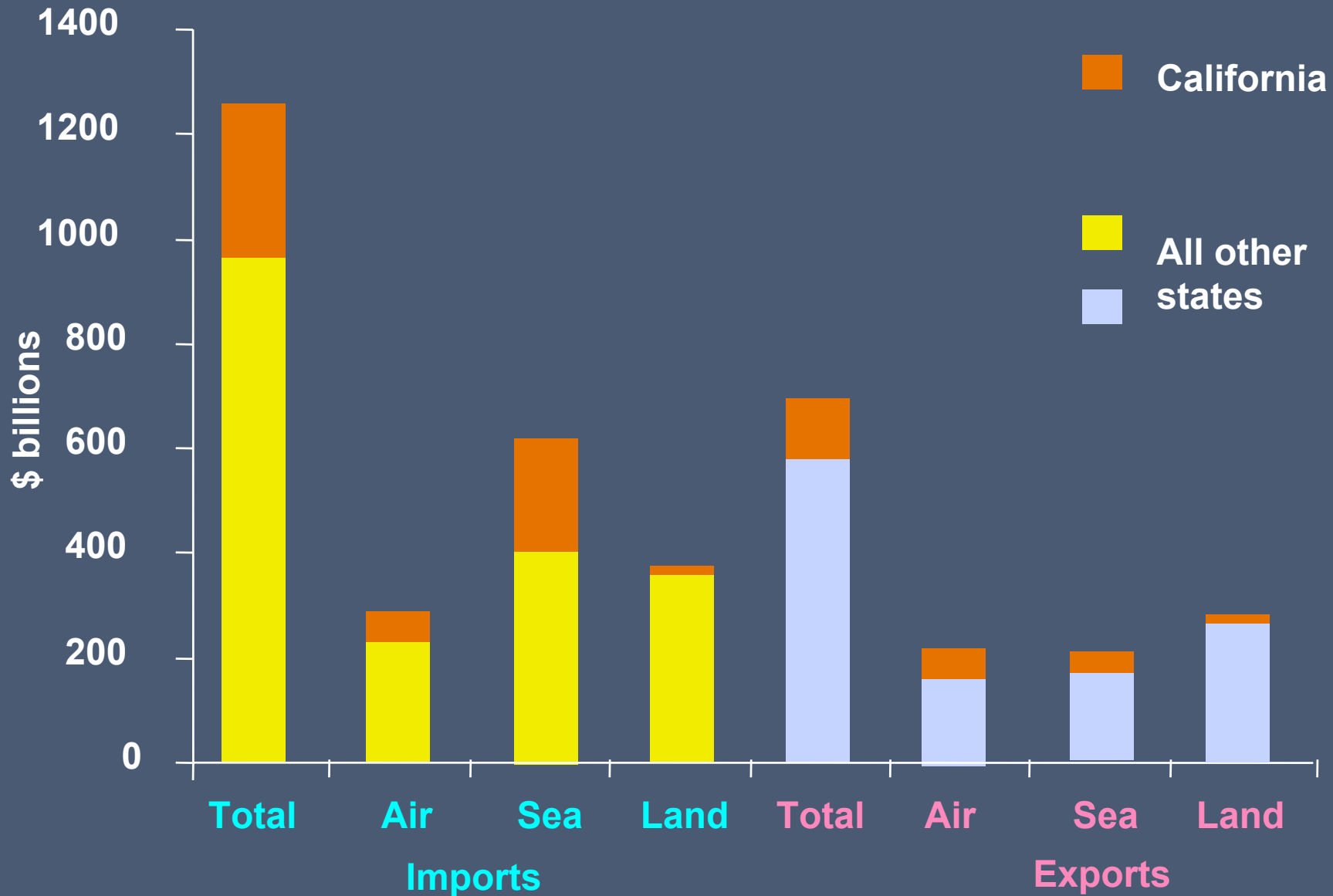
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Global Gateways Are a Vital Policy Issue for California

- **California's gateways process 21% of all U.S. trade flows**
- **Dramatic increases in trade flows are expected**
- **Gateways have important benefits and costs for surrounding communities**

California's Seaports Play an Especially Important Role in U.S. Trade Flows



Most of the Heavy Lifting is Handled in San Pedro Bay

Ports (2003)	% of U.S. Waterborne Trade (by value)	Total Waterborne Trade (\$ billions)	Imports (\$ billions)	Exports (\$ billions)
Los Angeles	15	122	105	17
Long Beach	12	96	79	17
Oakland	3	25	17	8
Hueneme	< 1	5	5	0.1
All California	32	260	217	43

California's Seaports Are Among the Largest in the Nation

U.S. ranking of California's top seaports, by value of trade

Port	1990	2003
Los Angeles	1	1
Long Beach	3	2
Oakland	7	6
Hueneme	49	34
San Diego	87	39

Seaports Present Significant Policy Challenges

- **Coping with the explosive growth of international trade**
- **Peacefully co-existing with the local communities**
- **Providing a secure environment for goods movement**

Between Now and 2020, Container Traffic is Forecast to Triple

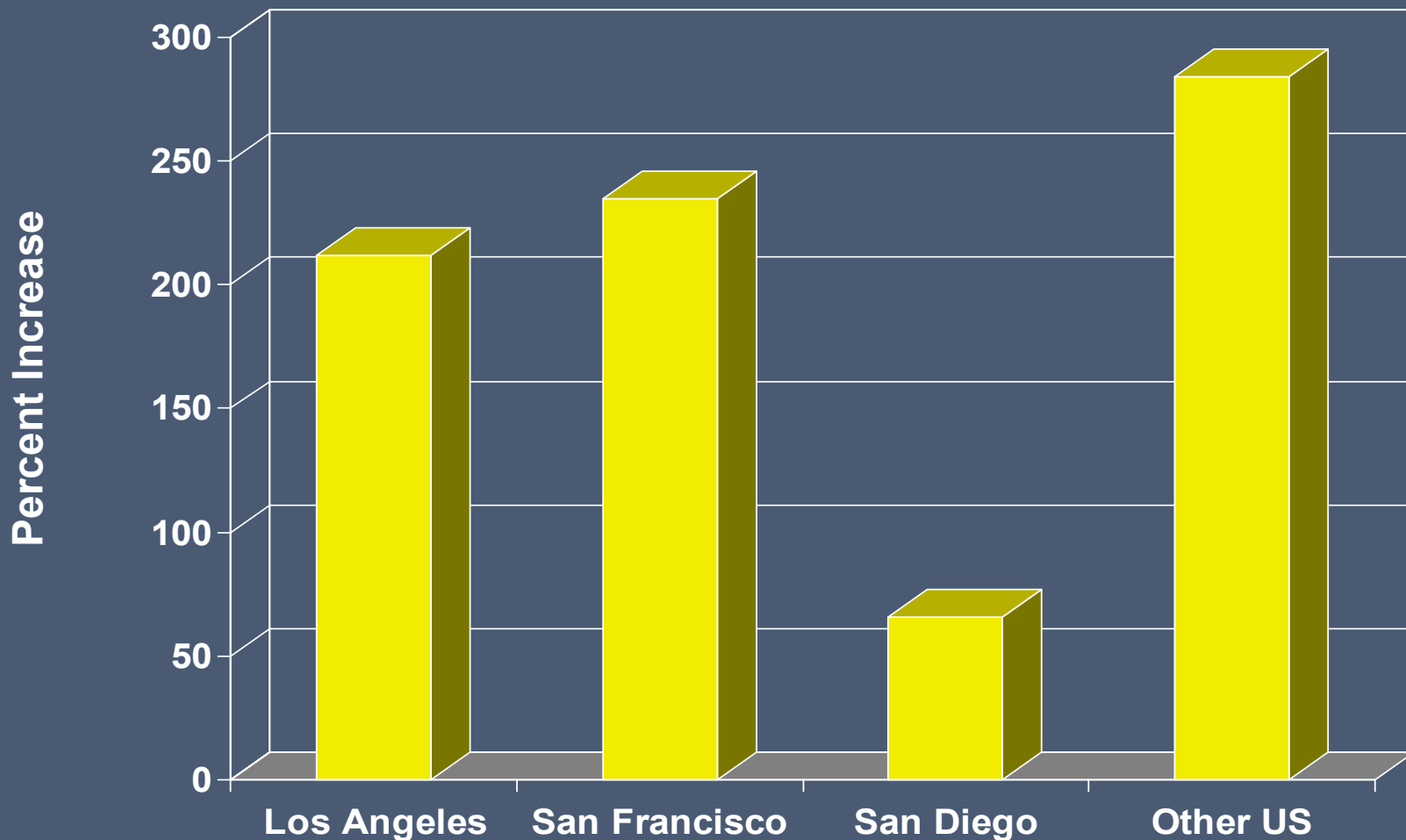
- The Port of Oakland currently processes approximately 2 million TEUs per year
- By 2020, that figure could be as high as 6 million

% increase over 2002

	2020	
	Imports	Exports
Value	88	187
Volume	202	252

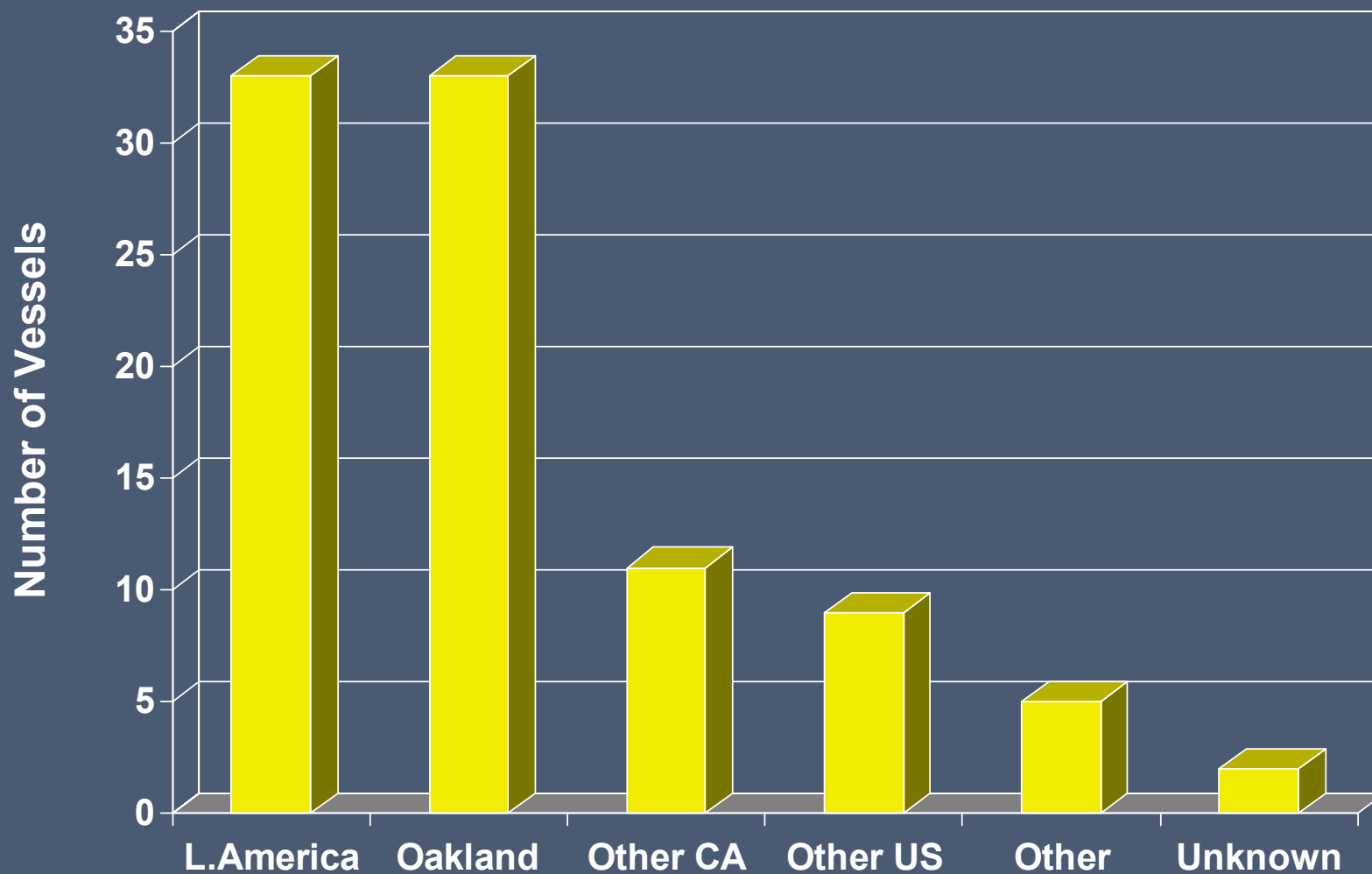
Trade Through the San Francisco Customs District is Forecast to Grow Rapidly

Forecast Changes in Trade Volumes,
By Customs District: 2002-2020



Oakland is A Likely Recipient of LA/LB Overflow in the Coming Years

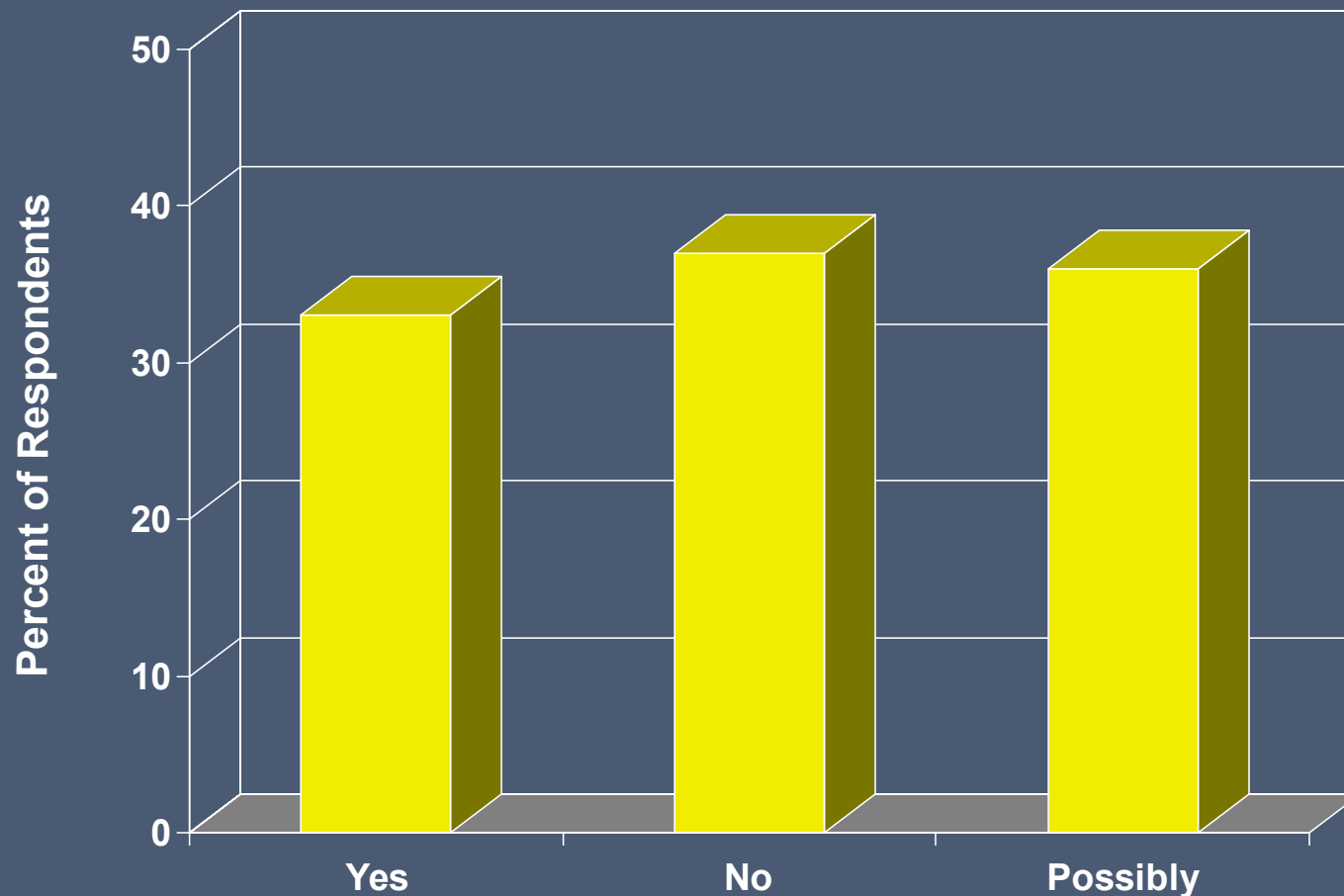
Diversions from LA/LB: July-November, 2004



Such Diversions to Oakland are Likely to Continue

Survey Question:

Will you change your long term plans to reduce exposure to costly west coast port delays?



Source: Logistics Management and Reed Research Group

There Are Significant Constraints to Growth

- Highway capacity
- Rail capacity
- Labor supply
- Community voice

Local Communities Bear a Sizeable Burden

- **Air pollution**
- **Traffic congestion**
- **Aesthetics**

The San Pedro Bay Ports are Tremendous Polluters

- Ports of LA/LB are responsible for 25 percent of LA area diesel emissions
- Port NOx and PM emissions are equivalent to those from 1 million cars
- Local communities are heavily impacted:
 - \$2.5 billion in externalized health costs
 - Approx. \$7,000 per job created
 - > 2,000/million added lifetime cancer risk
 - Regulatory goals commonly 1-100/million

Traffic Congestion is Also Costly

- **Traffic speeds reduced on I-710 by 70% at peak hours**
- **I-710 is notoriously accident prone**
- **Local intersections near ports are clogged with trucks**

Is expanding infrastructure the best response to trade growth in SP Bay?

- Trade can be accommodated by expanded infrastructure
- Better outcomes may result from managing trade growth
 - Encouraging efficiency improvements
 - Diversion of trade flows

Related Questions are Currently Unanswered

- **How does expanded infrastructure or greater efficiency interact with community concerns?**
 - Both facilitate more traffic, resulting in an increase in pollution
- **Does trade traffic pay its own way?**
 - Through pollution, congestion, and highway repairs and construction local economies subsidize international trade
- **Do existing trade patterns make sense?**
 - Large volumes of Chi/NY trade flow through San Pedro Bay

Some Trade Is Better Than Others

- **Well in excess of 50% of trade through LA's ports is for locations outside California**
 - **Reduced economic benefits**
 - **Full complement of costs**
- **This is important for the question of whether more is better**
 - **Policies can affect the entrepot status of California's seaports**

At What Point is Enough...Enough?

- The ports are unquestionably responsible for significant contributions to the LA area economy
- Is there a point beyond which trade flows do more harm than good?
 - External costs rise with increased trade
 - Benefits fall with increased trade
- At some point, expanding volume must be conscious of the need to reduce external costs
 - Level of community activism suggests that this point is close

Concluding Remarks

- **California's gateways are indeed crown jewels in the state's treasury**
- **Along with substantial benefits come sizable costs in concentrated areas**
- **External costs generate important, neglected policy questions**

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