

PMA TODAY

July 9, 1999
Vol. 2, No. 14

Maritime Industry Invests Heavily to Increase Efficiency for Customers

Fueled by the rise in Asian imports to the United States, West Coast ports handled more than 220 million revenue tons of waterborne dry cargo valued at more than \$266 billion last year.

This year,

Asian imports through West Coast ports continue to flourish as the Asian-Pacific economy rebounds. In fact, according to the *Journal of Commerce*, carriers are expecting 1999's imports to rise more than 16 percent over 1998. As cargo-handling volume rises to record



Susan Maersk en route to the Port of Long Beach on her maiden voyage from Asia.

Photo: Maersk Inc.

many shipping companies, ports and other members of the intermodal transportation network are investing heavily in developing infrastructure to maximize cargo handling at West Coast ports.

Industry Advancements

levels at several West Coast ports, infrastructure investment is at an all-time high.

Making a positive impact on its customers' bottom lines is a significant priority for the maritime industry. In response to customers' growing demands for efficiency,

Members of the maritime industry are maximizing existing resources to accommodate increasing demand as cargo-handling volumes grow with improving economies. For instance, to provide its customers with added value in shipping, Maersk Inc. introduced the 6,600-TEU container-carrier *Susan Maersk* to serve the U.S.-Asian trade route last month. Although it has been in service for two years in Europe, the ship made its first voyage to the United States stopping at the Ports of Long Beach and Tacoma on the West Coast as part of her new permanent deployment. It is the largest container ship to call at a U.S. port.

Megaships, like the *Susan Maersk*, enable shipping companies to deliver cargo to multiple markets and achieve economies of scale in a global transportation network. Investments like these will enable the maritime industry to efficiently meet customer demands.

"Vessels of this size achieve economies of scale and focus on strategic hub ports to serve continents," said Tom Boyd, general manager for Maersk.

Increased volume crossing the docks translates into a need to →

Retailers Rely on Port Efficiency to Boost Bottom Lines

As shipping customers keep up with the increased pace of a growing economy, they demand more out of every link in the transportation chain. From the terminal operator to the freight forwarder to the service transportation provider, each link is critical to handling cargo from the ports to destinations inland. As a result, off-port infrastructure improvements have become just as important as those to the ports themselves.

West Coast ports have dedicated 48 percent of their infrastructure investments to off-port components of the supply chain including infrastructure to transfer cargo from ship to rail (and truck) efficiently.

These investments are critical to improving the service provided to customers such as mass retailers, who deal in high volumes and low profit margins. As inventories are kept to a minimum, just-in-time cargo delivery is key to retailers' bottom lines.

"Mass retailers have made an art out of squeezing costs out of delivering large quantities of goods," said Robin Lanier, senior vice president of industry affairs for the International Mass Retail Association (IMRA). "As a result, our member companies have been able to provide great quality and very low prices."

Shipping customers, such as IMRA members, require efficient intermodal transport to meet market demands. The current and future West Coast port and off-port investments play a critical role in boosting these customers' competitive advantage.

PMA Today is a publication dedicated to highlighting West Coast port activities and developments as they relate to economic and international trade issues in the 21st century. We hope you enjoy PMA Today and find it to be a valuable informational resource. For more information about PMA, please visit our Web site at <http://www.pmanet.org>.

THE PORTS

Did you know ...

... the Ports of Los Angeles and Long Beach handled a combined total of more than 7.5 million TEUs last year? The volume is expected to triple to 24 million TEUs by 2020.

Source: *The Journal of Commerce*

ensure that the intermodal transportation network can handle the flow. Although the

FAST Corridor development, easing traffic seems to be an attainable goal.



West Coast ports are investing heavily in developing infrastructure to maximize cargo handling and efficiency.

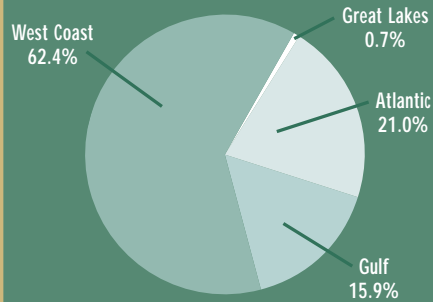
growing cargo traffic has not been a problem, ports and other players are proactively planning for the future. "When these large ships come in, they require enormous amounts of space and efficient operations," said J. Gordon Palmer Jr., manager of planning for the Port of Long Beach, in the *Los Angeles Times*. "I'm not designing 100-acre facilities anymore. I'm designing 300-, 400- and 500-acre terminals."

In Seattle and Tacoma, the Washington Public Ports Association expects container traffic through the ports to more than double over the next 20 years. As \$355 million pours into the

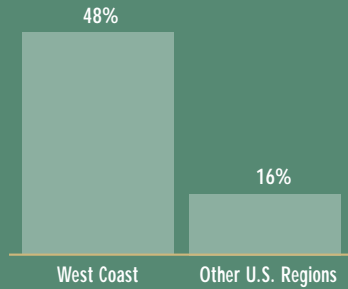
Upon completion of the project, grade crossings and congestion from railroad tracks crossing highways will be things of the past. By 2020, as a result of these investments, the Ports of Tacoma and Seattle will handle nearly 50 percent more railcars and more than 40 percent more trucks. "Bolstering efficiency provides our customers with a better value in cargo handling and can boost their bottom lines," said Phil Resch, senior vice president for operations, the PMA. "Delivering consistent, dependable and accountable cargo movement for shipping companies and their customers will keep the West Coast ports strong and competitive." ●

The Value of U.S. West Coast-Asian Trade Relations

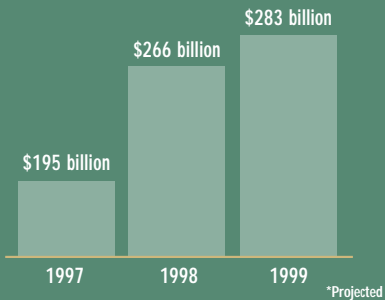
U.S. Port Capital Expenditures for 1997 Contiguous 48 States



Percentage of Total 1997 Investment in Off-Port Infrastructure



Value of Waterborne Trade Through West Coast Ports



Source: Berkeley Roundtable on the International Economy

PMA AT-A-GLANCE

PMA Today (1999 Pacific Maritime Association) is published for the membership of the Pacific Maritime Association. Comments, suggestions, additions to the mailing list and address changes should be sent to PMA, c/o Joey Parr, PO Box 7861, San Francisco, CA 94120-7861. Produced by PMA Staff.