

Economic Outlook 2008 Mid-Year Report

International Trade: Strengthening The Focus On Environmental Initiatives

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Although container traffic is expected to remain relatively flat over the next six months, officials at the ports of Long Beach and Los Angeles are bracing themselves for an increasingly busy year, as initiatives to improve infrastructure and enhance security move forward – all the while holding a steady focus on mitigating environmental impacts.

“Our outlook isn’t particularly positive,” says Capt. Dick McKenna, executive director at the Marine Exchange of Southern California. “We may see some increases . . . in July because of the back-to-school [cargo], and then again, we may see some increases in late September, October because of the holidays, but I really do believe that . . . the national economy [will] keep us on a slow belt for the next half a year, at least.”

McKenna notes that vessel traffic at the San Pedro Bay ports has fallen, further reflecting the impact of the national economic slowdown, as well as waning consumer demand. In May, for example, port terminals handled 445 container ships, down from 515 container ships a year earlier, he says, adding that Marine Exchange reports indicate the ports will have averaged roughly 444 ships per month in 2008.

Despite the outlook’s unpredictability, he does not expect the numbers to get too much worse. “It’s very hard to pin down because we will have some really soft weeks followed by some really strong weeks and we get optimistic, [but they’re] followed by some really soft weeks. So it’s hard to see any kind of a trend,” he says. “I think we’ve stabilized at the low points, . . . but I don’t see any real strong indications of any continued upticks.”

Port of Long Beach Executive Director Richard Steinke

shares a similar outlook for the industry, given that the number of containers expected to pass through the port in 2008 is down significantly.

Between January and May, port terminals handled 2.6 million twenty-foot-equivalent units (TEUs) of cargo, reflecting a 7.9 percent decrease in year-to-date trade activity, according to the most recent report from the Port of Long Beach. And even though export volumes jumped 27.7 percent during that time, total container traffic is expected to remain flat because imports – which constitute the majority of the port’s business – fell 10.9 percent, Steinke says.

He also notes, however, that TEU volumes may rise slightly in September, which has traditionally been known as the “peak season,” as retailers start receiving cargo for holiday sales.

“I don’t think we’re in for any big surprises, based on the weakness of the economy and what we’ve seen in terms of our volume [over] the previous six months,” he explains. “We’re experiencing this cycle where imports are soft, . . . and that real drop is offset somewhat by the significant increase in exports, but imports are always a much larger number than the exports.”

Like Steinke, Port of Los Angeles Executive Director Geraldine Knatz anticipates a sluggish end to the year. But, she contends, the numbers are starting to look a little more encouraging because container volumes in May were up for the first time in almost a year. “It was 0.8 percent,” she says, “but it’s better than the drop in container volumes of eight, nine [or] 10 percent every month like we have been seeing.”

Knatz notes that despite the change of pace, the ports will continue moving forward with an extensive list of projects. “This is the year we start delivering on the promises,” she says. “Since I’ve come here, we’ve been talking about getting the EIRs [environmental impact reports] out, getting

them approved, implementing some of the Clean Air Action measures and starting various projects, but this is the year we really start delivering.”

Steinke adds that environmental initiatives are a top priority for the port complex in the second half of 2008. This year, for instance, marks the launch of the Clean Trucks Program (CTP), one of the most contentious components of the San Pedro Bay Ports Clean Air Action Plan, which is committed to reducing pollution by at least 45 percent over the next five years.

Beginning October 1, approximately 16,800 drayage trucks will be progressively replaced or retrofitted, and only “clean” trucks will be able to enter the terminals without paying a new truck impact gate fee. A clean truck is defined as a 2007 model or newer; a 1994 model or newer that has been retrofitted; or a truck that has been replaced through the Gateway Cities Council of Governments Fleet Modernization Program.

Moreover, a \$35 fee will be levied on every loaded cargo container entering or leaving the port by drayage truck, which is expected to generate \$1.6 billion to help cover the costs associated with replacing or retrofitting the trucks.

Robert Kanter, managing director of environmental affairs and planning at the Port of Long Beach, adds that the ports will continue modernizing cargo-handling equipment with alternatives that reduce emissions. Under the Technology Advancement Program, for instance, the ports are helping to develop hybrid yard tractors and tugboats, as well as testing yard tractors powered by liquefied natural gas.

Other projects port officials hope to tackle this year include offering incentives to encourage vessels to use cleaner-burning, low-sulfur fuel – instead of highly polluting bunker fuel – within 40 miles of the San Pedro Bay port complex. Kanter adds that the Port of Long Beach is also exploring the use of Advanced Cleanup Technologies Inc.’s “sock on stack” system, which uses a 2,500-pound bonnet that caps and collects toxic pollutants from a ship’s auxiliary engines and boilers while at berth or anchored in the port. The gas is then vacuumed into a treatment system that removes more than 95 percent of nitrogen oxides, sulfur oxides and particulate matter. ■