



AGENDA REPORT

PROPOSED ACTION:

Information Report: Update on Cargo Activity at The Port of Oakland Seaport (Maritime)

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EXECUTIVE SUMMARY:

This is an Information Report on current and near-term cargo activity demand at the Port of Oakland Seaport (Seaport), including related supply chain issues.

BACKGROUND

The Seaport serves as a major gateway for international containerized trade, connecting U.S. markets with Asia, Central and South America, Europe, Australia/New Zealand, and the Indian Subcontinent. Among other California container ports, the Seaport offers some of the shortest transit times to and from Asia, its primary regional trading partner. In addition to Asia, other major trading partners (with direct service routes) include Europe, the Mediterranean, Australia/New Zealand, and Central and South America.

The Seaport is primarily a second port of call, which, combined with its proximity to Asia and California’s primary growing region, makes it a strong export seaport, moving California agricultural products and other United States (U.S.) domestic goods overseas to foreign markets. As a second port of call, the Seaport experiences import cargo growth primarily in direct relation to the strength of the local and regional economies, while export cargo generally varies with additional global economic factors such as the strength of the U.S. currency and consumer demand in foreign markets (although, unique regional concerns such as drought conditions can affect exports). In 2021, the Seaport once again became a first port of call for some ocean carriers; this trend is expected to continue into 2022 and 2023.

Over the last ten calendar years, average annual cargo throughput (measured in twenty-foot equivalent units or “TEUs”) has been approximately 2.4 million TEUs and the compounded annual growth rate has been 0.5%. A decline of about 5% occurred in 2015 because of labor issues on the marine terminals, followed by a quick recovery and growth until 2019 when activity began to decline. In 2019 through 2021, cargo activity declined between 0.5% and 1.8% annually, driven primarily by declines in export cargo and empty containers offset by import growth. As of May 2022, cargo activity is about 6% below the same period in 2021.

In 2021, imports accounted for approximately 55% of all full (loaded) TEU activity, while exports represented 45%. The balance has been tilting more toward imports in recent

years. On the U.S. West Coast, this balance of imports and exports is unique, and presents both benefits and risks to the Seaport.

Although consumer demand was strong in 2021 and 2022 (year to date), COVID-19 has caused congestion in the supply chain on the U.S. West Coast that continues to affect the flow of cargo through available gateways including the Seaport. The supply chain disruption to cargo flow is more noticeable on a fiscal year (FY) basis: total cargo throughput declined 6.8% in FY20; grew 7.5% in FY21; and declined 8.9% as of May 2022 (i.e., the first eleven months of FY22). At year end, FY22 annual throughput is projected to be approximately 13.5% lower than FY21 actuals.

ANALYSIS & LOOK-AHEAD

Looking ahead, Staff anticipates continued recovery from COVID-19-related disruptions. The pace of that recovery will depend on a variety of factors.

While the Port has very little control over global supply chain decisions of cargo owners, shipping lines, and rail companies, the Port has some ability to facilitate improvements in the supply chain. For example, the Port recently opened a “pop-up” container yard to help facilitate access to empty containers for exporters. The Port also adopted amendments to Tariff No. 2A that reduce the amount of time a container can stay on-terminal before it becomes subject to financial penalties.

Based on the presentation attached to this report, Staff will present more information about the following topics on July 28, 2022:

- Cargo activity of seaports on U.S. West Coast
- Current drivers of and constraints to cargo activity, including factors unique to the Seaport
- Sources of congestion, including factors unique to the Seaport
- Port and industry actions to improve supply chain challenges
- Near-term business demand (cargo activity)