PACIFIC MARITIME ASSOCIATION

Summary: "Economic Impact and Competitiveness of the West Coast Ports and Factors that Could Threaten Growth"

Leading maritime economist John Martin recently completed a study of the economic impact of America's 29 West Coast ports and their importance to the U.S. economy. Martin's key findings include:

Jobs and Economic Impact

- America's West Coast ports provide the economic foundation for nearly 9.2 million jobs across the United States. (p 2)
    - This includes more than 400,000 jobs directly and indirectly related to the handling of cargo, including payrolls, operations, and local economic activity. (p 2)
    - An additional 8.7 million jobs nationally are tied to the goods that flow in and out of the ports each day, spanning American retail, manufacturing, agriculture, mining, technology, and other industry sectors. (p 3)
    - In total, these jobs generated $383 billion in wages and salaries, and generated more than $106 billion in federal, state, and local taxes in 2013. (p 3)
- Daily operations at America's West Coast ports contributed $2.1 trillion to the U.S. economy in 2013, equivalent to about 12.5% of U.S. GDP. (p 3)
- In particular, the activity generated by the cargo handled at America's West Coast ports provides nearly 4.3 million jobs in the three states in which the ports are located and contributes a total of more than $989 billion to the state economies of California, Oregon and Washington. (p 6)

Loss of West Coast Market Share

- The West Coast dominated containerized trade with Asia through the 1990s, "driven by the fact that importers viewed these ports as the major port linkage in the supply chain of imported cargo." (p 11)
- In the past dozen years, however, several significant and coinciding developments have eroded the West Coast's market share in Asian trade:
    - The 9/11 terrorist attacks, 2002 West Coast port shutdown, and 2004 Southern California rail-meltdowns hastened shippers' determination to diversify manufacturing and logistics so that single events do not threaten entire supply chains. (p 12)
    - Global manufacturing centers have shifted west and south of Singapore, farther away from the U.S. West Coast. (p 19)

- The forthcoming expansion of the Panama Canal in 2015-16 will encourage more all-water access from Asia directly to American ports on the Gulf and Atlantic coasts. (p 12)

- The Suez Canal has grown in attractiveness as a direct route to key U.S. markets on the East Coast, particularly as production centers shift toward South Asia and India, and as carriers develop transshipment centers at Mediterranean ports for cargo destined to America. (p 13)

- Eastern and Gulf Coast ports have made significant capital investments in port and rail capacity to accommodate larger ships and increased volumes. (pp 13 – 14)

- The concentrated growth of key distribution centers has enabled the East and Gulf Coast to handle larger volumes of goods destined for prime consumer markets. (pp 14 – 15)

- The West Coast has higher port charges and lower production rates than East and Gulf coast competitors, with “about 25 – 28 moves per gang hour on the West Coast compared to 35 – 42 moves per gang hour on the Atlantic and Gulf Coasts.” (p 26)

- As a result of these trends, container volume from Asia to ports in the North Atlantic, South Atlantic, and Gulf Coast regions has increased significantly since 2002. (pp 9 – 10)

- In 2002, the West Coast ports handled about 50% of the total containerized imports into the United States. By 2013, the West Coast share had fallen to 43.5%. (p 9)

Economic Impact of a West Coast Port Shutdown

- The 11-day shutdown of port operations in 2002 had a cumulative effect not only on the port industry and its workers, but also on exporters, importers, and the entire transportation infrastructure and supply chain of the United States. (p 28)

  - Based on more than 200 interviews with terminal operators, ocean carriers, importers and exporters using West Coast ports, combined with extensive literature searches to identify the impacts to key import and export sectors of the United States, Martin estimates the total cost of the 2002 shutdown at $15.6 billion. (p 31)

- The projected impact of a work stoppage in 2014 increases as the duration of the interruption increases.

  - If the work stoppage lasts only 5 days, the impact to the national economy is estimated to be $3.4 billion, or about $688 million per day. (p 33)

  - If the duration of the work stoppage increases to 11 days, the national economic impact increases to $12.6 billion, or about $1.1 billion per day. (p 34)

  - By the time the duration of the work stoppage increases to 20 days, the cost to the United States economy is estimated to be $40.9 billion, or $2 billion per day. (p 34)

- As the duration of a work stoppage approaches and exceeds 30 days, structural shifts will likely begin.

  - Asian consumers of U.S. exports will likely begin to look for new supply sources, resulting in a loss of exports from the United States and creating a strong multiplier effect throughout the entire economy. (p 34)

  - Costs of production for U.S. firms dependent on imported raw materials will increase due to delays, and those firms dependent on a steady flow of imported inventory will now have depleted stockpiles. Production line shutdowns in the United States and Asia would be likely. (p 34)

- A port shutdown in 2014 carries with it the risk of long term structural changes in the movement of discretionary cargo, which could impact the Los Angeles/Long Beach region in particular. The economic value of the LA/LB port complex accounts for nearly 34% of the total $2 trillion Gross State Product for California. (p 35)

Conclusion

- West Coast ports continue to serve as a critical economic engine for the U.S. economy with significant economic impact to the states in which they are located. (p 40)

- However, if costs continue to escalate, the competitive logistics position of the West Coast ports will be eroded, further resulting in potential job loss, and/or reduced job growth at West Coast ports. (p 40)

- Any disruption in the operation of these ports would have a significant impact, not only nationally, but in particular on the individual states in which they are located. (p 40)

- Because of the concentration of economic activity in Southern California related to the ports of Los Angeles and Long Beach, further loss of market share, the erosion of pricing advantages, and damage caused by work stoppages will have a magnified and lasting impact on this region. (p 40)

For the full report, click here.

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