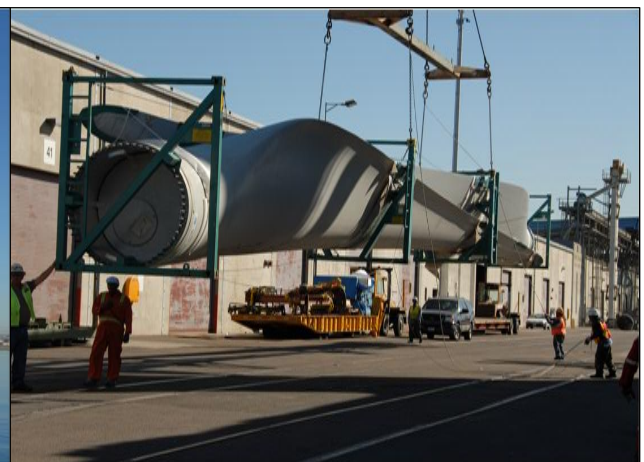
San Diego Institute for Policy Research

Policy Brief

San Diego's Maritime Trade:

A Critical Economic Engine



August 2008

Executive Summary

The two maritime terminals operated by the Port of San Diego play an increasingly vital role in the region's economy. Combined they:

- **Have an annual economic impact estimated between $1.7 and $1.8 billion.** That is the equivalent of 4.5 Super Bowls,[1] 12 U.S. Open Golf Championships,[2] or 60 Holiday Bowls.[3] This also exceeds the annual economic impact of the San Diego Convention Center.[4]
- **19,298 jobs are associated with the activities at the maritime terminals.** 1,817 of these jobs are directly associated to the companies operating at the terminals, 155 are indirect jobs with companies that service enterprises engaged in maritime trade, and 2,883 induced as a result of the economic activity generated at the maritime facilities and worker spending associated with the facilities. Another 14,443 are influenced or benefit by using the Port and would suffer from higher costs or dislocations if the Port was not available.
- **Create high paying jobs.** On average Port positions pay 28 percent more than the region's median (private sector) wage. Certain professions, such as longshore workers, clerks, and dock foremen, pay more than double and triple the region's median wage.
- **Help move 6.5 million tons of cargo.** In 2007 6.5 million tons of cargo went through San Diego's two maritime terminals. This represents substantial growth (476 percent) in the tonnage moving through the terminals since 1995. Moreover, the Los Angeles Economic Development Corporation projects the value of goods moving through San Diego will increase another 8.8 percent in 2008.
- **A proposal to somehow "double deck" the 10th Avenue Terminal would have a detrimental impact on maritime trade.** Given the kind of goods moved through the 10th Avenue Terminal, it is very likely that, even if technically feasible, a plan to "double deck" the 10th Avenue Maritime Terminal would negatively impact Port operations. Avoiding negative impacts would require extraordinary engineering solutions to accommodate large cargo items, extended hours of operation, and the existing need to improve vehicle circulation at the terminal.

San Diego is not and will probably never become a "mega-port" such as Los Angeles-Long Beach. San Diego has captured a niche of the shipping industry that transports specialty items requiring facilities and handling far different from those at other major West Coast ports. However, this does not mean maritime trade is not extremely important for San Diego. The value and especially the kind of jobs associated with maritime trade make it vitally important to protect and continue to invest in this critical resource.

Preface

Maritime cargo transportation at the Port of San Diego's two marine terminals is a vitally important economic engine in the region. Combined, they generated an estimated $1.7 to $1.8 billion of annual economic activity for the region while moving 6.5 million tons of cargo during 2007. Nearly 20,000 San Diegans hold jobs that are in some way associated to the Port's marine terminal activities. Moreover, these jobs pay high wages, critical in a region facing a challenge for what some term an "hour glass" economy. Viewed in total, the median wages paid at the terminal are 28 percent higher than the County-wide average. In some areas, wages are significantly higher. For example, in 2007 longshoremen working at the Port of San Diego earned an average of $93,674, clerks $120,431, and dock foremen $161,636.

In addition, San Diego's maritime terminals play an important and essential role in the nation's overall West Coast trade network. In many ways they complement rather than compete with the Long Beach/Los Angeles mega-port, handling cargo that either is not suited for containerized cargo shipping, such as bulk goods, large machinery, and automobiles, and/or which would be negatively impacted by the kind of congestion and delays that are frequently found at the mega-port to our north. The terminals also serve as important and strategic facilities in the nation's defense system.

The terminals are the only sites in the entire San Diego region that have established waterfront industrial sites, with railroad service, close freeway access, commercial port related support functions, and deep water berthing. Other such deep water berthing sites are not only unavailable, but cannot be easily created or replaced, particularly along southern California's congested coast, making San Diego's waterfront industrial land nearly irreplaceable.

SECTION I: The Impact of Maritime Trade and Recent Growth Trends

Economic and Employment Impacts of San Diego's Marine Terminals

San Diego Bay is an important hub for industry and commerce in the region. Businesses located along the Bay build and repair ships, use the Bay to move goods in and out of the region, and support the Navy's considerable presence in San Diego. In large part due to the natural harbor, San Diego became a highly valued location for military naval activities. "As a result maritime cargo handling has, and always will, coexist with military and other non-cargo maritime activities," according to the Port of San Diego's own analysis.[5]

The San Diego Unified Port District (SDUPD) has been appointed by the five member cities touching the Bay to administer commerce and industry taking place there. The marine terminals of the Port of San Diego lie well within San Diego Bay, and cargo vessels passing to the terminals share the Bay with a wide variety of watercraft from military vessels, cruise ships, and Coast Guard patrol boats to tugs and barges, commercial fishing vessels, tour boats, and small personal pleasure boats.

The movement of cargo vessels makes up only a small percentage of the total commercial vessel traffic and activity on the Bay. Approximately 81,000 total movements of commercial and military vessels are recorded each year in the Port of San Diego.[6] This includes approximately 60,500 excursion cruise trips, 10,000 commercial sport-fishing and 10,000 military vessel movements. Cargo vessel movements number only about 360 cargo ships and 200 barges berthed at the two shipping terminals in the Bay each year.

A variety of products are processed at the marine terminals, including cement from China and Thailand, sand from Mexico, fertilizer from Norway, fresh fruit from Guatemala, Costa Rica, Peru, Ecuador and Australia, cars from Japan, Korea, Mexico, Germany and the United Kingdom, and steel products from Europe, Korea and China. One out of every eight new automobiles in the United States reportedly now enters through the Port of San Diego.

In 2007, the Port of San Diego released an economic analysis on the impact of the marine terminals and shipping industry in San Diego with their "Maritime Business Plan Update," produced by the international firm of TEC Inc. The study found marine cargo activity at the Port of San Diego marine terminals generated a total of $1.6 billion in economic activity for the region during fiscal year 2005/06. Since that time, the amount of cargo tonnage transported through the Port increased 7.2 percent in FY 06/07 and another 1.4 percent in FY 07/08, according to the Pacific Maritime Association.[7] The value of international trade merchandise transported by ship through San Diego is also reported by the Census Bureau to have increased by 7.2 percent during 2007.

Total wages paid to dock workers in San Diego increased by 8.6 percent during 2007. **Given the increase in both trade volume and increased hours and wages, the San Diego Institute for Policy Research**

("SDI") estimates the total value in annual economic impact of the maritime terminals increased to between $1.7 and $1.8 billion during 2007.

COMPARABLE ECONOMIC IMPACT OF EVENTS OR INDUSTRY IN SAN DIEGO COUNTY

Event/Project	Economic Impact (millions) Direct	Indirect	Total	Source
San Diego Marine Terminals	$412.7	$1,378.7	$1,791.4	Martin Associates, TEC Inc., San Diego Unified Port District.
SuperBowl XXXVII	$194.0	$173.0	$367.0	San Diego Super Bowl Host Committee, National Football League.
2007 Holiday Bowl	$15.7	$14.6	$30.3	San Diego State University Center for Hospitality and Tourism Research
2007 Poinsettia Bowl	$5.8	$5.4	$11.2	San Diego State University Center for Hospitality and Tourism Research
2008 U.S. Open	$73.6	$68.5	$142.1	San Diego State University Center for Hospitality and Tourism Research
Agriculture production, 2006	$1,461.7	$3,654.2	$5,115.8	County of San Diego, Department of Agriculture Weights and Measures
San Diego Convention Center	$650.3	$909.7	$1,560.0	San Diego Convention Center Corporation
Leap Wireless, 2007	$1,630.8			LeapWireless.com

There is every expectation that 2008 will see further increases in the economic activity associated with the terminals. According to the Los Angeles Economic Development Corporation, the value of San Diego's two-way international trade is forecast to rise another 8.8 percent in 2008.[8]

This economic impact translates into 19,298 total jobs. Among the 19,298 jobs:

• 1,817 are jobs directly generated by the marine terminal activities. These jobs are directly dependent upon the vessel and cargo activity at the marine terminals, including the International Longshore and Warehouse Union, terminal operators, stevedores, trucking firms, railroads, steamship agents, freight forwarders and customhouse brokers, warehousemen, federal government agencies, towing companies, pilot organizations, and marine construction companies. The Tenth Avenue Marine Terminal supports 822 of these jobs, while the National City Terminal supports the other 995. Ninety-six percent of these jobs are held by residents of the County of San Diego.

• 2,883 are induced jobs or those jobs supporting local purchases made by the 1,817 direct job holders due to maritime cargo and vessel activity. These jobs are with local grocery stores, retail outlets, restaurants, transportation services, local government services, schools, hospitals, etc.

• Firms dependent upon the marine activity spent $11.0 million in local purchases for office supplies, equipment, utilities, communications, maintenance and repair services, transportation services, professional services, and goods and services. These purchases supported 155 indirect jobs in the San Diego economy.

• In addition to the direct, induced and indirect job impacts, another 14,443 regional jobs are influenced by the cargo exported and imported over marine terminals. These jobs are considered to be influenced or related by the activities of the Port, but their degree of dependence on the Port is difficult to estimate and is not considered as dependent upon the Port as the direct, induced or indirect jobs. Another way to consider this is if the Port's marine terminals were not available to these organizations, they would suffer an economic penalty over the longer term. Such a penalty would vary from loss of employment opportunities in some cases to increased transportation costs in other cases, which in turn, would result in employment reductions.

• Of the $1.6 billion, $217.6 million is direct business revenue received by firms dependent upon the marine terminals and providing maritime services and inland transportation services for the cargo and vessels handled at the marine terminals. The remaining $1.4 billion represents the value of output to the California economy created by the cargo moving through the Port of San Diego Marine Terminals. This includes the value added at each stage of producing the export cargo, as well as the value added by each stage of production for the firms using imported raw materials and intermediate products that flow via the marine terminals and are consumed by industries within the region.

SUMMARY OF ECONOMIC IMPACT GENERATED BY PORT ACTIVITY

	Economic Impacts
JOBS	
Direct	1,817
Induced*	2,883
Indirect	155
Total	4,855
PERSONAL INCOME/LOCAL CONSUMPTION ($1,000)	
Direct	$98,164
Re-spending/Consumption	$307,912
Indirect	$6,665
Total	$412,742
BUSINESS REVENUE ($1,000)	$217,617
STATE AND LOCAL TAXES ($1,000)	$44,783
LOCAL PURCHASES ($1,000)	$11,016
RELATED USER IMPACTS	
User jobs	14,443
Total Value of Output ($1,000)	$1,378,720
User Income ($1,000)	$534,194
User State and Local Taxes	$55,591

Source: TEC Inc., San Diego Unified Port District.

Totals may not add due to rounding.

* It is to be emphasized the $307.9 million of re-spending and consumption impact includes consumption expenditures by those directly employed. Therefore, the $307.9 million of re-spending and consumption impact cannot be divided by the 2,883 induced job holders to estimate an average induced salary, as this would result in an overestimation of induced wages and average salary income per induced job.

• Marine activity created $412.7 million of direct, induced and indirect personal wage and salary income and local consumption expenditures for San Diego metropolitan residents. An additional $534.2 million of direct, induced and indirect income was received by the influenced users of the Port of San Diego marine terminals. **The 1,817 direct job holders received $98.2 million in wage and salary income for an average salary of $54,032. This compares to the annual average wage of $42,220 for all jobs in San Diego during the same time period.**

A total of $44.8 million in state and local tax revenue was generated by the maritime shipping activity at the Port's marine terminals during FY 05/06. In addition, $55.6 million of state and local taxes were created due to the economic activity of the influenced users of the cargo moving via the marine terminals.

SDI estimates that in 2007 this increased to $48.6 million paid in direct annual tax revenues and $60.4 million in additional influenced revenues. To generate the same revenues just in direct taxes would require more than 12,500 hotel rooms or more than all the hotel rooms currently existing in the South Bay and East County submarkets combined.[9]

Growth of San Diego shipping trade

Since 1995, the movement of international trade through the San Diego Port has significantly increased. Although still relatively small compared to the Los Angeles and Long Beach ports, San Diego has captured significant niches of shipping cargo, including auto transportation, produce, and other commodities.

TOTAL TONNAGE BY MAJOR WEST COAST PORT

	Total Tonnage (000s)		Change: 1995-2007		West Coast %	
Port	1995	2007	Number	Percent	1995	2007
Los Angeles, CA	44,807.0	110,721.0	65,914.0	147.1%	20.3%	30.0%
Long Beach, CA	51,806.3	100,969.5	49,163.2	94.9%	23.5%	27.4%
Tacoma, WA	22,312.4	33,753.4	11,441.0	51.3%	10.1%	9.2%
Seattle, WA	24,795.8	29,513.9	4,718.1	19.0%	11.2%	8.0%
Oakland, CA	20,163.6	29,448.7	9,285.1	46.0%	9.1%	8.0%
Portland, OR	19,573.2	23,166.5	3,593.3	18.4%	8.9%	6.3%
Kalama, WA	11,497.9	9,624.1	-1,873.8	-16.3%	5.2%	2.6%
SAN DIEGO, CA	**1,136.8**	**6,547.7**	**5,410.9**	**476.0%**	**0.5%**	**1.8%**
Vancouver, WA	5,377.2	6,172.7	795.5	14.8%	2.4%	1.7%
Port Hueneme, CA	1,963.4	3,970.7	2,007.3	102.2%	0.9%	1.1%
All Other Ports	15,497.3	14,711.1	-786.2	-5.1%	7.0%	4.0%
West Coast Total	**220,531.7**	**368,599.3**	**148,067.6**	**67.1%**	**100.0%**	**100.0%**

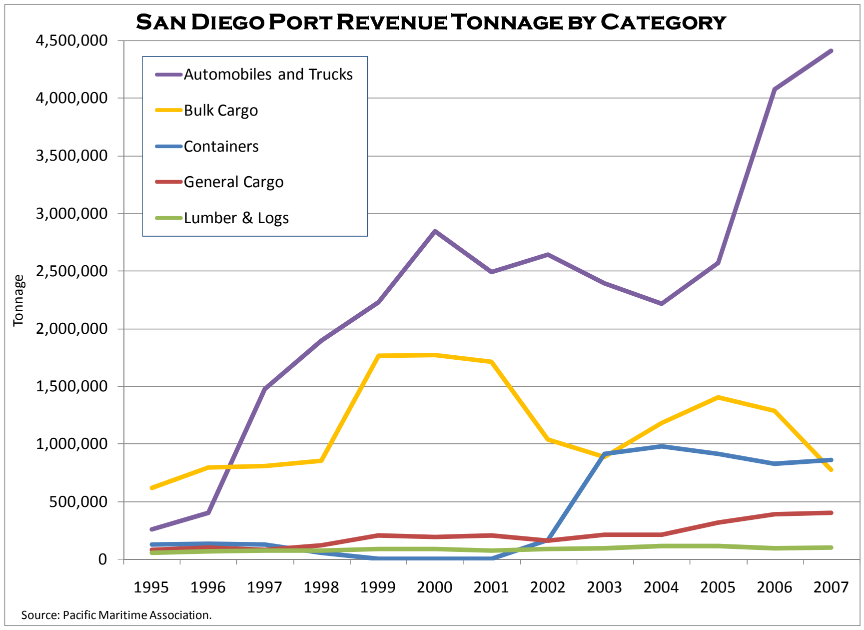
Source: Pacific Maritime Association; San Diego Institute for Policy Research.

In 2007, San Diego port facilities handled 1.8 percent of the total volume of cargo shipped on the West Coast. While this may still seem a relatively minor amount of the total activity, San Diego has become the 8th largest port on the West Coast for maritime tonnage transported, while shipping cargo increased nearly 600 percent from 1.1 million tons handled in 1995 to more than 6.5 million by 2007. No other West Coast port increased by nearly as great a proportion or realized nearly as significant an increase in shipping.

San Diego Cargo tonnage

The year 2006 set a record for total tonnage of merchandise moving through San Diego with 6.7 million tons shipped through the Port that year. As the U.S. economy has slowed, the volume decreased 2.3 percent during 2007 with 6.5 million tons transported in San Diego over the past year.

Although the volume of tonnage saw a slight decrease, the value of the trade increased. According to the Census Bureau, a record $7.8 billion value in international trade was nonetheless transported by ship through San Diego in 2007.



Movement of automobiles and trucks has become the dominant type of cargo transported through San Diego's maritime shipping. With 4.4 million tonnage transported in 2007, autos and trucks account for more than two-thirds of the commodities moved by weight.

TONNAGE DATA - SAN DIEGO PORT

Year	Total Tonnage	Annual Change	Percent of Coast Total	Percent of Port Total: Contain-erized	General Cargo	Lumber & Logs	Auto & Trucks	Bulk Cargo
1995	1,136,757		0.5%	10.9%	7.3%	4.6%	22.6%	54.5%
1996	1,492,025	31.3%	0.7%	8.6%	6.7%	4.6%	26.9%	53.2%
1997	2,564,440	71.9%	1.1%	4.8%	3.3%	2.8%	57.6%	31.6%
1998	2,994,757	16.8%	1.4%	1.7%	4.0%	2.4%	63.2%	28.7%
1999	4,283,309	43.0%	1.8%	--	4.9%	2.0%	52.0%	41.2%
2000	4,889,979	14.2%	1.9%	<0.1%	3.9%	1.7%	58.2%	36.2%
2001	4,890,999	0.0%	1.9%	<0.1%	4.7%	1.7%	55.5%	38.2%
2002	4,093,178	-16.3%	1.6%	4.0%	3.9%	2.2%	64.6%	25.3%
2003	4,478,039	9.4%	1.6%	20.3%	4.7%	2.0%	53.3%	19.8%
2004	4,703,823	5.0%	1.5%	20.8%	4.5%	2.4%	47.1%	25.2%
2005	5,308,982	12.9%	1.6%	17.1%	5.9%	2.2%	48.4%	26.4%
2006	6,704,451	26.3%	1.9%	12.4%	6.2%	1.4%	60.8%	19.2%
2007	6,547,715	-2.3%	1.8%	13.1%	6.1%	1.5%	67.4%	11.9%

Source: Pacific Maritime Association.

This is increasingly both import and export trade. While most of the autos are still brought into San Diego and "discharged" at the port, in just the past few years a considerable number of vehicles are now loaded and shipped out of San Diego as well.

The important role that autos play in maritime activity, as measured by the value of goods, is reflected in the ranking of the countries of origin shipping through the San Diego custom district. Japan was the country of origin for $5.3 billion worth of goods shipped through the San Diego customs district in 2007. The Federal Republic of Germany is second with $1.2 billion. Other large shipping imports come from the United Kingdom, Slovakia, Ecuador, and Finland. In total, $7.7 billion of merchandise imports were brought into San Diego by ship during 2007, 20.5 percent of all imports brought through the San Diego Customs District over the past year.

While exported cargo is considerably smaller in volume and value, Thailand, Norway, Ecuador, and China are the most prominent destinations for merchandise sent by ship from San Diego.

Not all merchandise offloaded or discharged in San Diego comes from or is sent overseas. About 1.6 percent is from other coastal ports of the U.S. The other 98.4 percent is from other countries, including British Columbia, Canada, counted by

VALUE OF IMPORTS* AND EXPORTS SHIPPED THROUGH SAN DIEGO CUSTOMS DISTRICT BY COUNTRY OF ORIGIN, 2007

Country	Imports (Millions)	Percent of Total	Country	Exports (Millions)	Percent of Total
Japan	$5,317.5	68.9%	Thailand	$36.8	27.9%
Federal Republic			Norway	35.3	
of Germany	1,253.1	16.2%	Ecuador	28.2	21.3%
United Kingdom	230.1	3.0%	China*	14.0	10.6%
Slovakia	215.6	2.8%	Japan	2.3	1.7%
Ecuador	157.7	2.0%	Singapore	2.1	1.6%
Finland	110.3	1.4%	Korea, South	1.9	1.4%
China**	64.2	0.8%	El Salvador	1.8	1.4%
Portugal	61.0	0.8%	Canada	1.2	0.9%
Taiwan	57.9	0.8%	United Kingdom	1.0	0.8%
Italy	43.7	0.6%	Federal Republic		0.0%
Australia	37.6	0.5%	of Germany	0.8	0.6%
Hungary	24.0	0.3%	Taiwan	0.8	0.6%
Guatemala	21.3	0.3%	India	0.6	0.5%
Mexico	20.2	0.3%	Malaysia	0.4	0.3%
Norway	18.3	0.2%	Philippines	0.4	0.3%
Korea, South	17.0	0.2%	Spain	0.4	0.3%
Denmark	16.5	0.2%	Australia	0.2	0.2%
Canada	11.0	0.14%	United Arab Emirates	0.2	0.15%
Netherlands	6.2	0.08%	Mexico	0.1	0.08%
Indonesia	4.1	0.05%	Netherlands	0.1	0.08%
Malaysia	2.0	0.03%	Belgium	<0.05	<0.05%
Thailand	1.3	0.02%	France	<0.05	<0.05%
Singapore	0.1	<0.005%	Sweden	<0.05	<0.05%
All Other Countries (< $10 Million)	21.4	0.3%	All Other Countries (< $1 million)	3.6	2.7%
Total Imports	**$7,714.9**	**100.0%**	**Total Exports**	**$132.1**	**100.0%**

*Includes general imports; i.e. cargo unloaded in the Los Angeles Customs District.

**China includes Hong Kong and Macao.

Source: U.S. Census Bureau; The Kyser Center for Economic Research; San Diego Institute for Policy Research the tonnage unloaded in San Diego.

Motor vehicles and parts, by far, dominate the value of merchandise imported into San Diego by ship, with $6.8 billion brought during 2007. Electronics are next with $421.8 million in imports, followed by fruits and nuts at $170.3 million.

Electronics account for the highest value of exports shipped from San Diego, with only $24.8 sent in 2007, followed closely by computers and peripherals valued at $23.3 million.

VALUE OF IMPORTS* AND EXPORTS SHIPPED THROUGH THE SAN DIEGO CUSTOMS DISTRICT BY COMMODITY, 2007

Commodity	Imports (Millions)	Percent of Total	Commodity	Exports (Millions)	Percent of Total
Motor Vehicles & Parts	$6,832.7	88.6%	Electrical Equipment, TVs, Electronic Parts	$24.8	18.8%
Electrical Equipment, TVs, Electronic Parts	421.7	5.5%	Computers, Peripherals, Machinery, Appliances & Parts	23.3	17.6%
Fruits & Nuts	170.3	2.2%	Fruits & Nuts	3.6	2.7%
Computers, Peripherals, Machinery, Appliances & Parts	45.3	0.6%	Miscellaneous Prepared Foods	3.3	2.5%
Iron & Steel	42.6	0.6%	Plastics & Items Made of Plastic	2.3	1.7%
Toys, Games & Sports Equipment	18.4	0.24%	Motor Vehicles & Parts	1.8	1.4%
Iron & Steel Products	16.6	0.22%	Refined Oil Products & Natural Gas	1.5	1.1%
Paper, Paperboard & Related Products	8.7	0.11%	Paper, Paperboard & Related Products	0.7	0.5%
Special Classification Items	3.3	0.04%	Aluminum & Items Made of Aluminum	0.7	0.5%
Apparel & Accessories, Knit Or Crochet	0.5	0.01%	Iron or Steel Products	0.5	0.4%
Optical, Photo&Medical/Surgical Instrments	0.3	<0.05%	Dyes, Paint, Inks	0.4	0.3%
Furniture; Bedding; Lamps, Etc,	0.3	<0.05%	Iron & Steel	0.3	0.2%
Edible Vegetables, Certain Roots & Tubers	0.3	<0.05%	Rubber & Items Made of Rubber	0.3	0.2%
Plastics & Items Made of Plastic	0.3	<0.05%	Apparel & Accessories, Knit Or Crochet	0.3	0.2%
Apparel & Accessories, Woven	0.2	<0.05%	Furniture, Bedding, Lamps Etc.	0.2	0.15%
Aluminum & Items Made of Aluminum	0.1	<0.05%	Optical,Photo&Medical/Surgical Instrments	0.1	0.08%
Miscellaneous Metal Products	<0.05	<0.005%	Wood & Wood Products	0.1	0.08%
Glass & Glassware	<0.05	<0.005%	Toys, Games & Sport Equipment	0.1	0.08%
Miscellaneous Manufactured Products	<0.05	<0.005%	Copper & Items Made of Copper	0.1	0.08%
Textile Products, Incl Blankets & Linens	<0.05	<0.005%	Glass & Glassware	0.1	0.08%
All Other Items (< $100 million)	153.2	2.0%	Miscellaneous Metal Products	<0.05	<0.05%
			All Other Items (< $100 million)	67.6	51.2%
Total Imports	**$7,714.9**	**100.0%**	**Total Exports**	**$132.1**	**100.0%**

*Note: Includes general imports; i.e. cargo unloaded in Los Angeles Customs District.

Source: U.S. Census Bureau; Kyser Center for Economic Research; San Diego Institute for Policy Research.

SAN DIEGO PORT - TONNAGE BY CATEGORY

Year	Total Tonnage	Con-tainers	General Cargo	Lumber and Logs	Autos and Trucks	Bulk Cargo	Offshore & Intercoastal	Coast-wise	British Columbia
1995	1,136,757	124,066	83,090	52,621	256,939	620,041	1,044,043	52,516	40,198
1996	1,492,025	128,809	100,245	68,283	401,225	793,463	1,382,328	68,283	41,414
1997	2,564,440	122,468	84,667	71,404	1,476,061	809,840	2,461,001	71,404	32,035
1998	2,994,757	50,830	119,460	72,652	1,893,814	858,001	2,897,326	71,154	26,277
1999	4,283,309	136	208,978	84,393	2,227,084	1,762,718	4,155,172	81,957	46,180
2000	4,889,980	1,071	190,063	84,067	2,844,998	1,769,781	4,751,988	84,067	53,925
2001	4,490,237	255	208,822	74,711	2,492,551	1,713,898	4,368,636	74,711	46,890
2002	4,093,179	164,577	158,835	89,000	2,645,875	1,034,892	3,962,016	89,000	42,163
2003	4,498,241	910,877	211,263	91,327	2,395,527	889,247	4,367,863	91,327	39,051
2004	4,703,764	976,293	213,294	111,961	2,217,268	1,184,948	4,555,920	111,961	35,883
2005	5,308,975	908,576	314,593	114,572	2,569,112	1,402,122	5,160,191	114,510	34,274
2006	6,676,475	828,019	386,698	95,261	4,078,444	1,288,053	6,553,085	100,834	22,556
2007	6,547,714	857,565	400,465	97,782	4,412,749	779,153	6,440,148	97,746	9,820

Discharged:

Year	Total Discharged	Con-tainers	General Cargo	Lumber and Logs	Autos and Trucks	Bulk Cargo	Offshore & Intercoastal	Coast-wise	British Columbia
1995	562,214	72,743	75,714	52,621	256,939	104,197	469,500	52,516	40,198
1996	735,922	68,272	92,039	68,283	401,200	106,128	626,225	68,283	41,414
1997	1,801,926	62,730	80,669	71,404	1,476,013	111,110	1,698,487	71,404	32,035
1998	2,252,491	24,497	119,350	72,652	1,771,071	264,921	2,155,060	71,154	26,277
1999	3,520,419		202,482	84,393	2,185,601	1,047,943	3,392,282	81,957	46,180
2000	4,157,308	629	181,792	84,067	2,768,759	1,122,061	4,019,316	84,067	53,925
2001	3,740,252	187	205,883	74,711	2,455,608	1,003,863	3,618,651	74,711	46,890
2002	3,946,789	130,016	133,330	89,000	2,638,350	956,093	3,815,626	89,000	42,163
2003	4,106,821	735,097	156,677	91,327	2,370,955	752,765	3,976,443	91,327	39,051
2004	4,388,027	777,512	189,428	111,961	2,217,268	1,091,858	4,240,183	111,961	35,883
2005	4,929,678	851,609	295,534	114,546	2,334,814	1,333,175	4,780,894	114,510	34,274
2006	6,159,385	793,900	333,167	95,254	3,649,011	1,288,053	6,035,995	100,834	22,556
2007	6,054,746	831,249	343,716	97,755	4,002,873	779,153	5,947,180	97,746	9,820

Loaded:

Year	Total Loaded	Con-tainers	General Cargo	Lumber and Logs	Autos and Trucks	Bulk Cargo	Offshore & Intercoastal	Coast-wise	British Columbia
1995	574,543	51,323	7,376			515,844	574,543		
1996	756,103	60,537	8,206		25	687,335	756,103		
1997	762,514	59,738	3,998		48	698,730	762,514		
1998	742,266	26,333	110		122,743	593,080	742,266		
1999	762,890	136	6,496		41,483	714,775	762,890		
2000	732,672	442	8,271		76,239	647,720	732,672		
2001	749,985	68	2,939		36,943	710,035	749,985		
2002	146,390	34,561	25,505		7,525	78,799	146,390		
2003	391,420	175,780	54,586		24,572	136,482	391,420		
2004	315,737	198,781	23,866			93,090	315,737		
2005	379,297	56,967	19,059	26	234,298	68,947	379,297		
2006	517,090	34,119	53,531	7	429,433		517,090		
2007	492,968	26,316	56,749	27	409,876		492,968		

Source: Pacific Maritime Association; San Diego Institute for Policy Research.

SECTION II – Understanding the Facilities

Marine Terminals

The Port's maritime shipping is split between two separate and distinct marine cargo terminals: the Tenth Avenue Marine Terminal (TAMT) and the National City Marine Terminal (NCMT). The terminals handle cargo destined for and from the Southern California region, across the United States and into Northern Mexico. Due to focusing on niche cargo transportation, including automobiles, produce, and military vehicles, large amounts of goods are now shipped to San Diego with the impressive gains shown over the past decade.

The NCMT has been focused on automobiles and lumber, while the vast of majority of TAMT cargo is dry and liquid bulk, breakbulk, and "project cargos", as well as containers and goods requiring cold storage.[10] A notable factor increasing activity at TAMT was the development of a full service container terminal for Dole Fresh Fruit Company in 2002, while at NCMT, the automobile business conducted by PASHA, doubled since 1997. (See the side bar.)

Similar to other West Coast ports, much more cargo is off-loaded or discharged in San Diego than loaded onto ships. This means ships come into the harbor mostly loaded, and usually leave with relatively little if any cargo.

Tenth Avenue Terminal - is a 96 acre maritime cargo complex that opened in 1958. TAMT is located near downtown San Diego, south of the Convention Center and north of the San Diego-Coronado Bay Bridge. The

San Diego's National City Marine Terminal has become a leading automotive port.

While the Port of San Diego has had healthy growth in its operations in recent years, the automobile business developed at an extraordinary rate over the past year. PASHA Automotive Services handles the automobile operations at the port through the 137-acre facility of the National City Marine Terminal. The number of vehicles imported through the terminal increased by more than 10 percent, and another 10 percent increase of auto tonnage is anticipated by the end of 2008.

A wide array of vehicles originating from countries all over the world are now imported through the San Diego Port. Each vessel carries more than 2,000 vehicles on average, but some shipments have delivered as many as 4,200 cars. Acuras, Mitsubishis, Hondas, Volkswagens and Audis comprise the majority of vehicles passing through the facility. While luxury vehicles such as Lamborghinis built in Italy, Bentleys shipped from the United Kingdom, as well as Lotuses and Porsches, also make up a small portion of the automobile operations.

After being offloaded from the vessel, most cars remain on the lots for 24 to 72 hours. Some of the vehicles are outfitted with navigational systems, compact disc changers and emissions labels at the PASHA Automotive Services warehouse at the Terminal; the majority are transported to auto dealers throughout California and the Southwest by truck. In addition, a large component of imported vehicles is moved to Texas by rail.

A new six-year contract with Mazda contributed significantly to the increase of vehicle imports in 2007. Not only did auto operations help boost the Port's non-containerized cargo by 7 percent, it also contributed to a 4.5 percent increase in total hours worked by the division.

—Excerpt from "The Year in Review", Pacific Maritime Association, 2007 Annual Report.

TAMT directly accounts for 822 jobs.

Tenants at TAMT primarily handle containerized and breakbulk fruit, dry bulk cargos including sand and cement, petroleum products, and various breakbulk and project cargos. The multi-purpose facility offers modern dockside cool/frozen storage, breakbulk, dry/liquid bulk, small scale container operations and warehousing services.

Principal inbound cargoes are refrigerated commodities, fertilizer, cement, breakbulk commodities, and forest products (including newsprint, cut paper and cut sheet stock). Primary export cargos, in much smaller quantities, include refrigerated cargo, breakbulk and bulk commodities.

The Cold Storage Facility is a 300,000 square foot, state-of-the-art on-dock facility providing a carefully controlled atmosphere for storage of a wide variety of fresh produce and perishables. These include meat, poultry, seafood, citrus, bananas, apples, pears, kiwi, avocados, broccoli, concentrates, dairy and egg products, grapes, kabocha squash, mangoes, melons, stonefruit, strawberries and tomatoes.

IMC Chemicals, Inc (IMC) also operates a state-of-the-art bulk loader at the Tenth Avenue terminal. The loader, reportedly one of the world's most efficient at 2,000 tons per hour, is used to export soda ash, sodium sulfate, borax, pyroborates, bicarbonate of soda and other bulk commodities. Over the past four years, total bulk tonnage for IMC and other bulk tenants steadily increased from 157,000 metric tons to 744,000 metric tons annually.

National City Marine Terminal – is located further inside San Diego Bay, south of the Tenth Avenue terminal and roughly 10.5 nautical miles transit from the harbor entrance. The terminal is located at the end of Bay Marina Drive in the city of National City. NCMT accounts for 995 jobs directly, including 582 handling vehicle transports and 379 lumber cargo.

Lumber and automobiles are the primary cargo moving through NCMT. Other services at this terminal include a point-of-sale location for Dixieline lumber, the National Distribution Center (NDC) and San Diego Cold Storage. PASHA and Dixieline have leased space in the NDC, but the majority of this space is not related to maritime transportation at this time. The cold storage facility is also strictly non-maritime and thus not factored in as Port maritime cargo activity.

Berths and Wharves

TAMT presently has 8 operating berths totaling 4,620 feet on three separate water fronts. The two north-facing berths offer roughly 30 ft of water depth, and the water depth alongside the west and the south berths is 42 ft. NCMT offers 8 operating berths totaling 5,965 ft, also on three water fronts, and the water depth at all berths is roughly 35 ft. Many of the tenants at TAMT require the full 42 ft water depth for the vessels they employ, while the auto and lumber tenants at NCMT are currently fully accommodated by the 35 ft depth.

Overall, berth utilization and berth congestion at TAMT may prove to be a restriction to future growth at the terminal; conversely, berth conflicts at NCMT are not an issue, according to analysis by SDUPD.

Many of the projected berth congestion issues at TAMT may be resolved by improving certain vessel offloading operations, expanding working hours, continuing training for skilled dock labor crews, and by completing various Port improvement projects that would improve vessel discharge times.

The marine terminals are not expected to experience any significant restrictions to growth related to congestion in the harbor that would restrict access to the berths. The vast majority of large vessel traffic is presently military related, and a modest increase of cargo vessel traffic to the marine terminals would not significantly impact the Navy's vessel operations in the Bay.

A Shortage of Storage Capacity

A far different story exists shore side. Both terminals presently lack sufficient open-air storage areas, and TAMT is presently faced with needing to consider sacrificing underutilized covered storage buildings to create space for additional open-air storage that can accommodate potential growth opportunities. Given its small size and the need to use limited land to maximize cargo throughput, various proposals have been suggested for the strategic removal of certain storage buildings to provide additional open storage areas.[11]

The majority of the cargo storage areas at NCMT consist of open-air paved storage for lumber and automobiles. All of the land area at NCMT is currently utilized. Only very limited cargo growth could be realized at the PASHA auto terminal; the Dixieline lumber facility is capable of modest growth, and Weyerhaeuser will not be able to sustain any growth without additional storage capacity.

Much of this storage is needed to accommodate large breakbulk goods, a key niche market for San Diego. For example, the unusual shape and size of the wind turbine blades that San Diego transports through the TAMT is not compatible for the facilities at the Los Angeles/Long Beach ports. Other breakbulk goods are bagged cement, fertilizer, lumber, miscellaneous steel products and industrial cargo used for power plants and other building projects.

Cargo Handling and Labor

Cargo handling operations and handling systems are critical to the overall throughput capabilities of the terminals. This includes labor productivity, ship loading and unloading equipment and transfer systems that move product between the berths and storage. The majority of cargo movements are carried out using ship gear, and NCMT does not have any shore side unloading equipment. The cargo handling equipment at TAMT is generally adequate for the cargo handled, but improvements could be made to enhance productivity.

The majority of the containers, automobiles, breakbulk and project cargo at TAMT and NCMT are offloaded from vessels utilizing ships gear, or are roll-on/roll-off ("RO-RO", such as autos that are individually driven on and off the ship) and do not require the assistance of shore-side unloading equipment.

Mobile equipment is used for moving some cargo from the berth to storage areas. Cargo handling equipment employed to assist with ship discharge operations are owned, operated and maintained by the stevedoring companies that work at the terminals. Truck loading operations are also conducted by a third-party firm, which owns and operates all the equipment utilized for truck loading operations.

The TAMT offers several offloading equipment to take cargo from barges or ships. A 100-ton "Gottwald" Mobile Harbor Crane is used to assist with container transfer operations, and is capable of moving roughly 20 containers per hour. TAMT also has a rail mounted ship loader and unloader for movement of dry bulk cargos.

A "Siwertel" mechanical screw style machine that currently offloads cement vessels is considered too small to efficiently offload larger bulk vessels now commonly employed by CEMEX. The Siwertel can not reach the far side of the ship holds, and so ships need to be turned around to provide access into the opposite side of the holds. In addition, the Siwertel has limited travel and can not move far enough along the wharf to access all the ship holds. Longer vessels must shift along the wharf face under the machine. These restrictions prolong ship unloading time and increase the time ships are at berth. **One of the most questionable aspects of the November 2008 initiative to "double deck" the Port is the unknown technical feasibility of designing a plan that provides sufficient shoreside room for this heavy machinery.**

With regard to labor productivity, the rapid growth in cargo throughput since 2000 has resulted in corresponding increases of labor needs, and currently there is a shortage of skilled labor at the Port of San Diego. Hiring and training new skilled workers is reportedly lagging behind the Port's strong growth of recent years, and it is essential to improve this situation in order for the Port to be competitive with other West Coast ports.

Continued Need for Dredging

The depth of the Bay's channel to the two marine terminals is a critical factor limiting the composition of tenants and cargos which can call on either terminal. A recently completed dredging project increased the water depth from 40 ft to 42 ft in the channel up to and including the berths at TAMT. This alleviated a constraint on deep draft vessels that were able to call and greatly enhances the terminal's competitive position. Although TAMT is not currently expected to experience any short term restrictions to growth because of water depth, with ongoing movement towards larger vessels, water depth may become a restriction in the future.

Access beyond the Tenth Avenue terminal to the National City Terminal involves passage under the San Diego-Coronado Bridge, which limits some larger vessels passing. Reported clearances under the bridge are 195 ft vertical at the Mean Lower Low Water (MLLW) and 600 ft clear width. The water depth from here is 35 ft.

The water depth in the channel beyond the Coronado Bridge and at NCMT has not constrained the auto carriers and barges that come to the terminal. Auto carriers do not currently require water depths greater than 35 ft. The largest, 6,680 CEU (car equivalent units) capacity car carriers presently in service have a fully loaded draft of 32.8 ft. The two other main tenants, Weyerhaeuser and Dixieline, employ barges that require far less than 35 ft of water depth.

The water depth may prove to be a constraint to future growth if alternative cargoes are considered for NCMT. Many container, dry bulk, breakbulk and general cargo vessels now in service require more than 35 ft of water depth, and the draft restriction reduces the size of vessels that may call on NCMT.

Intermodal Connections – Road and Rail

According to Port analysis, roadway capacity, both on and off site, is not currently constraining the movement of goods. The truck routes linking TAMT and NCMT to major interstate routes are all currently functioning at acceptable levels of service. Roadways such as East Harbor Drive and South 28th Street, and Bay Marina Drive should continue to serve as trucking routes to and from TAMT and NCMT.

At TAMT, the on-site truck circulation, however, is not the most effective process, although it does not currently constrain the Port's ability to handle cargo. **Given existing conditions, a clear question arises about how the measure on the November 2008 ballot to modify the land use plan for the TAMT would help rather than exacerbate this inefficient circulation pattern.** The existing truck scale is presently used for both inbound and outbound trucks. The Port's Business Plan Update analysis advises to consider installing at least one outbound truck scale at TAMT. Two exit scales, one at the front gate and one for the container trucks moving out the back gate, would reduce congestion at the terminal entrance and truck scale and greatly improve the internal circulation.

Railroad Access – Off Terminal - TAMT and NCMT both have rail on-site, owned and maintained by the Port of San Diego. All rail service leaving the ports is currently operated by the Burlington Northern and Santa Fe Railroad (BNSF). There is currently limited rail storage for BNSF in San Diego, particularly for serving TAMT, and for this reason, rail service to TAMT has all but ceased. One Port tenant, Searles Valley, was forced to move their dry bulk export operation to Long Beach because of the large rate penalty charged for cargo moving to San Diego versus Long Beach. **It is also unclear how the proposed November measure would alleviate rather than continue to exacerbate this challenge.**

Rail service at NCMT is better, and PASHA currently distributes almost half their automobiles from the Port on trains. Fortunately, the loop track at NCMT provides crucial rail functionality because without the loop track, the assembling of full length trains would cause lengthy road blockages, and the Port could not effectively serve its automotive customers.

Rail cargo generally travels north along the coast through the Los Angeles Metropolitan Area on the BNSF via a rail line shared with AMTRAK and North County Coastal Rail. A smaller amount of rail cargo travels south to Tijuana through the San Diego and Imperial Valley Railroad Company (SDIY). A total of 28,000 carloads, equivalent to 225,000 truck trips, travel on rail yearly on the BNSF and SDIY along the coast of San Diego County.

Several factors are restraining the amount of rail traffic which can serve the Port of San Diego. The window for allowable train operations limits the number of trains able to serve the port. The lack of true storage tracks leads to loading tracks being used for storage. This adversely affects the loading operations and can limit the number of trains entering and exiting the port. Since the TAMT on site rail lines are currently unused and partially damaged, repair is needed to make the lines fully operational. Off site rail improvements are needed for an increase of rail traffic, due to the congested BNSF line serving the TAMT and NCMT. Increasing capacity on the San Diego Arizona Eastern (SDAE) line is a possibility, but requires an investment of additional storage and staging facilities.

From the BNSF connection to Tijuana, the SDAE line is operated by the SDIY, sharing a line with the San Diego Trolley light rail transit system. Any exchange between SDIY and BNSF occurs at the BNSF storage yard just outside TAMT. Due to various regulations, the SDIY can only operate when the trolley system is shut down, which results in a two hour window from approximately 2am to 4am on a typical weekday. While the tracks themselves have a capacity for three trains in each direction during this window, infrastructure improvements to the staging yards are needed to reach this capacity. Currently, only one train runs in each direction during this small window of time.

SECTION III – Looking Forward

Market Opportunities

The Port of San Diego marine terminals handle dry bulk goods such as cement and sand, containerized fruit, breakbulk fruit, automobiles, bagged fertilizer, and breakbulk lumber. Recently, the marine terminals have also handled wind mill parts and wind mill towers.

Since 2002, cargo throughput at the Port of San Diego has grown steadily, reaching more than 6.5 million tons in 2007. This represents an average of 13.6 percent annual growth over this five year period. The TAMT's marine cargo growth has largely been driven by the expansion of Dole cargo, breakbulk fruit, cement, sand, project cargo and miscellaneous breakbulk cargo. The growth of autos and lumber has also been recorded at NCMT, particularly from the noteworthy increase of autos over the past few years.

The Port has significant growth opportunities just with their existing cargo and tenant base, and each opportunity has specific terminal requirements that must be met in order to continue to accommodate this cargo. The potential market opportunities and terminal needs are:

- With respect to autos, the Port has the opportunity to attract even more autos from both the Ports of Los Angeles and Long Beach. This current market opportunity is measured at 350,000 additional autos, which represents a doubling of current auto throughput at the NCMT. The existing PASHA terminal is presently near capacity and would require significant terminal improvements to handle additional cars.

- The containerized fruit operation operated by Dole is expected to continue to grow to supply food distribution operations in the Southern California market. The market requires a preferential berth, 32 ft of water depth, and adequate outside storage for refrigerated and empty containers.

- The Port could market additional banana accounts now located at Port Hueneme. In 2005, that Port handled about 275,000 tons of breakbulk bananas and nearly 300,000 tons of containerized bananas. This market would require the development of a new terminal similar to the existing Dole terminal in San Diego.

  The market for bananas, in particular, is immense. Americans consume more bananas than any other fresh fruit, according to the U.S. Department of Agriculture with banana consumption accounting for about one-third of all fresh fruit consumed in America.[12]

- With regard to other fruit markets, there is strong potential to develop new breakbulk fruit/melon services as well as seasonal avocado services. *These new breakbulk fruit operations could quadruple the current breakbulk fruit cargo throughput over the next 4 years.* A new terminal similar to the existing San Diego Harborside facility would be required including temperature controlled warehouse space, 34 ft of water depth and a shared berth.

- Cement operations are expected to grow as the local economy continues to grow. A potential for attracting additional cement operations at TAMT could bring in an additional 750,000 tons of cement annually. The cement import operation requires 42 ft of water depth. The existing cement terminal requires expansion that will allow it to grow to anticipated levels. A new cement terminal will need to be constructed for the new cement customers, while the Searles Valley Dry Bulk Complex should be considered for conversion to an import cement terminal.

- The potential to develop the new sand import business could bring an additional 500,000 tons to TAMT immediately, growing to roughly 1.0 million tons per year. The sand comes on large barges requiring shallow-water berths. This market would require a new sand import terminal consisting of outside storage, conveying equipment, and truck loading capabilities, including a new truck loading station with weigh scales.

• The miscellaneous breakbulk and spot cargo market, which includes steel, bagged fertilizer, bagged sand, yachts and other miscellaneous cargos, is generally an unstable and unpredictable market, according to the Port's analysis. The total tonnage handled in FY05/06 was reported at roughly 125,000 metric tons, and for planning purposes it is assumed this level will remain constant while individual cargos handled may change over time. The miscellaneous breakbulk and spot cargo market requires both covered and open storage.

• Interestingly, given the congestion at Los Angeles/Long Beach and San Diego's specialization for breakbulk shipping, the terminals are supporting U.S. efforts to become more energy independent and greener. *The importation of parts for large wind energy projects is expected to increase, with the potential for 15 percent annual growth through 2010 and 5 percent growth through 2015.* Growth in this area, as well as breakbulk shipments associated with large infrastructure projects such as power plants, refineries and petrochemical plants, will require additional open storage capacity at the terminals and would be severely impacted by some of the proposals associated with the proposed initiative on the November 2008 ballot.

• Lumber operations can be expected to grow consistently with predicted growth in housing starts and county population. According to the Port's analysis, the Weyerhaeuser terminal will require expansion to accommodate any future expansions.[13] The current lack of storage space forces Weyerhaeuser to supplement their lumber shipments to San Diego with trucks coming from their Long Beach facility at a rate of roughly 20 trucks per week. Whereas this shipping could go through San Diego if the space was available, the trucks now drive directly from Long Beach to San Diego customers bypassing the Port.

• The Port has the potential to aggressively market to a steel/breakbulk service, which could deliver up to 120,000 tons of steel annually to the Port of San Diego. This market may be feasible given the potential crowding out of breakbulk operations in Los Angeles and Long Beach and the potential growth for foreign ship building at NASSCO. The Port will need to identify local steel importers and market to importers in Arizona and the Baja region of Mexico. A 15 to 20 acre terminal is recommended with 42 ft of water depth required.

• Breakbulk lumber traditionally moves on breakbulk steel ships and potentially on breakbulk fruit ships as the lumber is discharged with the steel or the fruit. The opportunity for San Diego to bring in breakbulk lumber therefore most likely depends on the ability to also attract more steel and fruit services and thus is constrained by the same factors. This market requires outside and covered storage, and a berth with 35 to 42 feet of water depth.

Development scenarios for the Port of San Diego have very large positive net benefits from expanding terminal operations to accommodating greater cargo demands. The highest overall economic impact comes from developing a new containerized banana operation as well as a breakbulk banana operation.

The total cost for this project is about $64.8 million, including $24 million to relocate the current CEMEX operation, according to the Port's analysis. Nearly 5,000 direct, induced and indirect jobs would be created primarily by the operation of the container facility handling a containerized banana tenant.

Alternative Land Uses – Impact on TAMT

Despite the huge gains of merchandise handled by the Port Terminals, the significant economic impact on the region, and the very real potential benefits for even greater economic activity by adding capacity, a misconception has apparently arisen that the Port's maritime activity is experiencing a lull and that the Tenth Avenue Marine Terminal could be put to better uses.

An initiative to go before voters in November 2008 opens the door for possibly double decking the Tenth Avenue Marine Terminal. San Diego Community Solutions LLC claims redevelopment of the terminal could lead to the creation of thousands of jobs, revitalize the local economy, and possibly be a boon for tourism. The group sponsoring the ballot initiative called "The Port of San Diego Marine Freight Preservation and Bay Front Redevelopment Initiative," would, in essence, allow construction of a massive deck over the terminal.

The 40 foot high deck and anything atop it would reportedly cost $600 million. Beyond the cost of the building, $8 billion in unspecified further commercial development, such as hotels, restaurants or even a sports venue, are mentioned as possibilities. The initiative qualified for the November 4 ballot after the County Registrar of Voters determined that the group had gathered enough valid signatures for the measure to be put to the vote in San Diego, Chula Vista, National City, Coronado and Imperial Beach - the five cities making up the Port District.

Critics of the proposal point out that the deck would not only be a disruption to current maritime operations and cause a loss of jobs for current waterfront businesses such as ship repair and barge and tug operations, but could in effect destroy the 96-acre TAMT operations and all of the 822 direct industrial waterfront jobs as well as commerce and additional jobs the terminal accommodates.

As noted above, the proposal to "double deck" the TAMT seems incompatible with current vehicle movement patterns, rail service, and the storage of large breakbulk products such as windmill turbine blades or heavy machinery. It would certainly diminish and even prevent needed additions for more efficient and greater operations to accommodate projected increases in cargo activity. A host of technical objections remain unresolved by proponents of the ballot initiative, including the ability to build adequate ceiling heights on the lower deck, the feasibility of operating large trucks needing to navigate around 1,000 support columns, and the feasibility of mitigating noise and lighting associated with Port operations with commercial and hospitality uses.

There is an alternative where the Port focuses on growing a select number of new market segments while retaining the majority of the existing customer base. Larger open storage areas will attract imported steel and other breakbulk cargos while retaining and growing the breakbulk and containerized fruit, sand and cement markets. Expansion projects provide capacity to significantly continue expanding tonnage levels. Further development scenarios provide the Port with a positive net benefit from the total investment of terminal expansion projects needed for projected cargo demands.

The suggestions for alternative uses, which could be conducted at any number of locations in the County, are ill advised given the limited terminal property available only on the Bay. The initiative to use terminal property for these other uses rests on the false assumption that the terminal is underused and available for other commercial and public attractions. The impact to Port maritime operations, the ability to serve current and future cargo markets, and the financial and economic impact of the lost opportunities if the TAMT was converted to non-maritime cargo uses, would be significantly damaging to overall Terminal operations and the tenants who currently occupy the space.

In addition, many say it would be illegal given the Terminal's designation and use by the U.S. Navy as a strategic commercial seaport.

The Maritime Terminal's Role in National Security

Plans to add new development to the TAMT could run into significant legal hurdles since the Port of San Diego is designated as a Strategic Commercial Seaport by the Department of Defense. As one of fifteen such ports, either terminal at the Port may be used at any time to support military activities, and the terminals are required to offer a berth and staging areas when needed.

The Port is committed to supporting up to two Navy vessels at a time. Vessels have historically called more often at NCMT, but TAMT has been used as well. The military has used the west facing berths at NCMT and displaced up to 15 to 18 acres of auto storage. The vessels generally occupy a berth for 3 to 4 days plus a couple of days required on either side for security set-up, which results in a week of terminal disruption. During this time a portion of the terminal is lost for the military use, and operations are significantly impacted.

The Role of the San Diego Port in the "Goods Movement Action Plan"

The Port is also part of the State of California's Goods Movement Action Plan. This is an initiative by the Schwarzenegger Administration which seeks to improve and expand California's goods movement industry and infrastructure as a means for generating more and higher paying jobs, increase mobility and relieve traffic congestion, improve air quality and protect public health, enhance public and port safety, and improve California's overall quality of life.

The Plan singles-out the San Diego Ports in an important role for the future of short sea shipping. Short sea shipping involves the movement of maritime cargos by ocean-going ships or barges. In California, it would include the movement of containerized cargo and empty containers between the primary California ports of Los Angeles, Long Beach, and Oakland, and the surrounding ports and urban areas. Short sea shipping provides less polluting and less congested alternatives than the current movement of ocean containers. The Plan presents the feasibility for and ongoing research into a service concept where containers arriving or departing the Ports of Los Angeles or Long Beach, bound for San Diego or

Ventura Counties, would be barged instead of driven by truck to or from the Ports of San Diego and Hueneme, where they would be picked up or delivered.

The Plan states that, "[t]o meet (the State's own goods movement needs), billions of dollars of investment in California's ports, rail networks, and highways will be needed to add capacity and reduce congestion. Most of this investment will center on the State's four "port-to-border" goods movement corridors: Los Angeles-Long Beach/Inland Empire, Bay Area, **San Diego/Border**, and Central Valley (p. III-1, emphasis added).

Conclusion and Recommendations

San Diego's maritime facilities are, in many ways, out of sight and for many opinion leaders, all too often, out of mind. The economic impact of the terminals is far greater than much more visible industries and activities such as sporting events or the region's convention center.

That is unfortunate. Too often regional policy makers have failed to pay enough attention to the infrastructure needs of the terminals and the way in which activity at them could be expanded. Too frequently there have been land use challenges to the terminals – either proposals to directly change the way in which the property is being used or to develop adjacent properties in ways that would exacerbate conflicts.

Instead, for a region that faces the challenge of needing to create more middle class jobs, the maritime terminals and the broader opportunities available to the region from international trade, need to be encouraged. The Port District needs to continue to make its Maritime Business Plan Update a key priority. The San Diego Association of Governments (SANDAG) should continue to seek discretionary federal and state funds to improve land side access to the terminals. Local jurisdictions, especially National City and the City of San Diego, need to ensure that their general plans and zoning regulations do not facilitate incompatible land uses adjacent to the terminals or along ingress and egress routes.

Finally, the public needs to view proposals such as the so called "Marine Freight Preservation and Bayfront Redevelopment Initiative" that will be on the November 2008 ballot with skepticism. The existing activities at the TAMT are almost assuredly incompatible with commercial development. The kind of cargo moved at TAMT, the security required at maritime ports, and the engineering difficulties of building a "double deck" that does not negatively impact truck and ship movement all present daunting challenges and likely fatal flaws. Moreover, for a commercial project to match the existing economic impact of the terminals, it would be necessarily for them to attract outside dollars, not simply redistribute where existing retail and hospitality spending take place.

San Diego is not destined to be a "mega-port." Our future lies with specialty goods requiring facilities far different than those found at the major west coast ports that move hundreds of thousands of cargo containers each year. But that does not mean that maritime trade is not extremely important to the region's future. Their value and especially the kind of jobs associated with maritime trade make it vitally important to protect and continue to invest in this critical resource for San Diego.

[1]"Super Bowl XXXVII Generates $367 Million Economic Impact on San Diego County", *San Diego Super Bowl Host Committee* and the *National Football League*, May 14, 2003.

[2]"2008 U.S. Open Economic Impact Analysis", *San Diego State University Center for Hospitality and Tourism Research*, July 19, 2008.

[3] "Local Bowl Games Produce Economic Impact for Region", *San Diego State University Center for Hospitality and Tourism Research*, May 8, 2008.

[4] "Annual Report Fiscal Year 2007", *San Diego Convention Center Corporation*, http://www.visitsandiego.com/pressroom/annualreport/fy07/FY07intro.shtml.

[5]"San Diego Unified Port District Maritime Business Plan Update", *TEC Inc.*, p.1-2.

[6]"San Diego Harbor Safety Plan", *San Diego Harbor Safety Committee,* Adopted July 2005. Updated June 30, 2006.

[7]"2007 Annual Report", Pacific Maritime Association, 2007, www.pmanet.org.

[8] "2008-2009 Economic Forecast and Industry Outlook", *Los Angeles Economic Development Corporation* and *Kyser Center for Economic Research*, February 2008, p40.

[9] To put this in perspective, the new Hilton Hotel built on the Campbell Shipyard next to the downtown San Diego Convention Center has 1,200 rooms.

[10] "Breakbulk" cargo refers to products that do not fit into containers, including bagged cement, fertilizer, lumber, miscellaneous steel products and industrial cargo used for power plants and other building projects.

[11] See "San Diego Unified Port District Maritime Business Plan Update, *TEC Inc.*, April 2007, p2-13 to 2-18.

[12]"Fruit and Tree Nuts YEARBOOK – SUMMARY", Economic Research Service, *U.S. Department of Agriculture*, October 30, 2007, http://www.ers.usda.gov/publications/fts/2007/Yearbook/FTS2007s.txt.

[13]"San Diego Unified Port District Maritime Business Plan Update", TEC Inc., April 2007, p. 2-20.