

SAN PEDRO BAY CARGO FORECAST (2007)

The Tioga Group Inc. prepared a demand-based cargo forecast for the San Pedro Bay ports through the year 2030. The forecast is based on 2006 actual trade and economic data available and is inherently neutral, neither intentionally conservative nor optimistic. There are two major elements to this forecast: an econometric cargo forecast, and a competitive assessment.

Econometric Cargo Forecast. The first element is an econometric forecast of expected cargo growth for the U.S., the West Coast, and San Pedro Bay. This is a demand-based forecast, effectively assuming that transportation capacity will be available here and abroad to meet the demand, and that port cargo shares remain unchanged. The forecast was produced using linked economic forecasting models, including individual country macroeconomic forecasting models, world industry and industry-specific forecasting models, and 77 individual commodity trade models. The cargo forecast includes high- and low-growth scenarios as well as a base case.

The forecast represents the most likely path of growth over the long-term, assuming no significant geopolitical or other shocks to the world economy. This cargo forecast pattern uses a "trend-long" baseline economic forecast that smoothes out the influence of business cycles on long-term economic and trade growth. The "trend-long" approach is consistent with the long-term trend toward more moderate business cycles peaks and valleys globally, and avoids the inherent uncertainty of business cycle timing.

Competitive Assessment. The competitive assessment addresses future shifts in market shares and the resulting cargo diversions due to changes in competitive positions and carrier/customer practices. This step includes high share and low share scenarios, as well as a base case. The competitive assessment relies heavily on the informed judgment of the project team regarding likely developments at competing ports and the Panama and Suez Canals, emerging trends in bulk and container shipping, and the likely responses of carriers, shippers, and consignees. The competitive assessment led to adjustments in the containerized trade forecast to account for likely diversions to other ports or routes.

