

The Port of Los Angeles

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Comparative Analysis of International Business Practices & Solutions for Competitiveness

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April 30, 2014

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2014

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EXECUTIVE SUMMARY

The Port of Los Angeles (or “POLA”) is located in the city of San Pedro, California, just 25 miles south of downtown Los Angeles. This port is one of the most frequented transition points for the distribution of products shipped from all around the world. Hundreds of billions of dollars flow through the port each year. In 2013, \$415 billion worth of cargo was shipped in and out of the POLA, breaking the record from previous years. The United States has benefited greatly from the port’s business, taking more than \$6 billion in state taxes and \$23 billion throughout the country (Martinez, 3). The POLA is a full service port, meaning they handle the imports and exports of cargo ranging from auto, break bulk, container, dry bulk, liquid bulk, and even cruise and ferry (Martinez, 4).

The purpose of this paper is to analyze the national and international business practices of the POLA and explore solutions to maintain competitiveness in the sphere of business. In recent years, the port has grown tremendously, nearly quadrupling the value of containerized cargo in just two decades (LAEDC, 35). This paper explores the reasons for the surge in growth, the determining factors for maintaining its dominance, and the future outlook for the ports against competition. Strategies must be implemented to ensure economic stability for the POLA and assist in the pursuit for global dominance.

INTRODUCTION

The POLA is one of the busiest and most important shipping and cargo centers in the entire world. They identify themselves as an innovative, strategic, and sustainable center of operations that benefit their customers and cargo owners. They also seek to create jobs across California and around the nation, as well as improve the quality of life in the L.A. Harbor and across Southern California (Port of LA Handbook, 8). The POLA has become one of the most significant structures for generating global connection, spanning a variety of industries such as agriculture, automotive, apparel, and raw materials (Martinez, 6). In fact, 40% of all containerized cargo in the United States flows through the POLA before reaching its final destination, making it commonly known as “America’s Port” (Port Website). The significance of this trade center cannot be understated when discussing the development of local and national economies and its impact on global commerce.

Many interest groups rely on the shipping ports in Los Angeles County, so a breakdown in the system due to internal or external factors would have severe repercussions that would take a long time to overcome. Despite these pressures, the ports seem like they are heading in the right direction. It is expected that the global economy will increase by 2.5% in 2014 and 2.9% in 2015 (LAEDC, 13). This is good news for the POLA because it means that businesses all around the world will be trading more goods and likely using “America’s Port” to get them to their final destination. Through research of situational and strategic analyses, we explore how the POLA must implement best practices and strategies in order to improve their competitiveness in the local and global environment, effectively supporting hundreds of billions of dollars in global commerce.

SITUATION ANALYSIS: THE PORT OF LOS ANGELES (POLA)

Retrospective and Current Role in the National Economy

Since its origination in 1907, the POLA has been one of the most instrumental center points for trade and distribution throughout the United States. Before the recession in 2008, the POLA was handling more than 8.5 million TEUs (twenty-foot equivalent units) per year (Martinez, 2). When the recession began, companies started to order less and began dipping into their own inventory for supply. The POLA suffered a 25% decline in the amount of business from 2007 to 2009 (Arikawa). But as soon as supply became scarce, companies quickly ordered more shipments, resulting in a tremendous surge in revenue for the POLA. Today, it is the nation's largest container port handling more than 7.9 million TEUs and more than \$286 billion worth of

Figure 1: Port of LA, circa 1932
Source: *Security Pacific National Bank Collection, LA Public Library*



total trade (Martinez, 3). Part of the reason for its strong output is its location in the South Bay. The POLA is strategically placed just 35 miles south of downtown Los Angeles, the largest logistical center in the United States (LAEDC, 40). This is one of the reasons the port gets so much traffic on a daily basis. In 2013, just over 10 million people were recorded living in the Los Angeles County area (US Censuses). This vast

urban sprawl is ideal for businesses that are trading goods across the country as well as around the world. A successful business will go where the customers are. Since Los Angeles is so massive, it makes it the ultimate place for businesses to send their products because they will reach large

amounts of consumers in a short space. In the last century, Los Angeles has effectively built itself around the business that the port brings in. Over 1.5 billion square feet of warehouse space has been built in the LA area to house inventories across multiple different industries (LAEDC, 35)

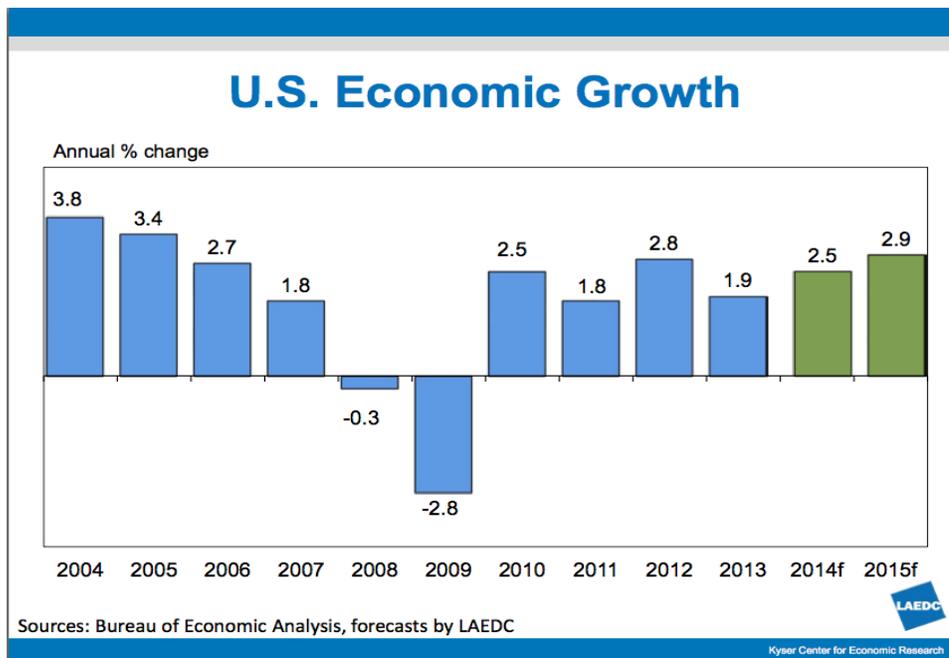


Figure 2:
Annual % Change in
US Economic
Growth: 2004 –
2015

Source: LAEDC
Presentation, Slide 6

The national economy relies heavily on the ports in the South Bay, including the Port of Long Beach (POLB). As seen in **Figure 2**, the U.S. economy is forecasted to expand by 2.5% in 2014 and up again to almost 3% in 2015 (LAEDC 13). These estimates are based off the Bureau of Economic Analysis's observations of consumer inflation, seen in **Figure 3**, and percentage decreased change in unemployment rate of non-farm jobs, seen in **Figure 4**, on the following page.

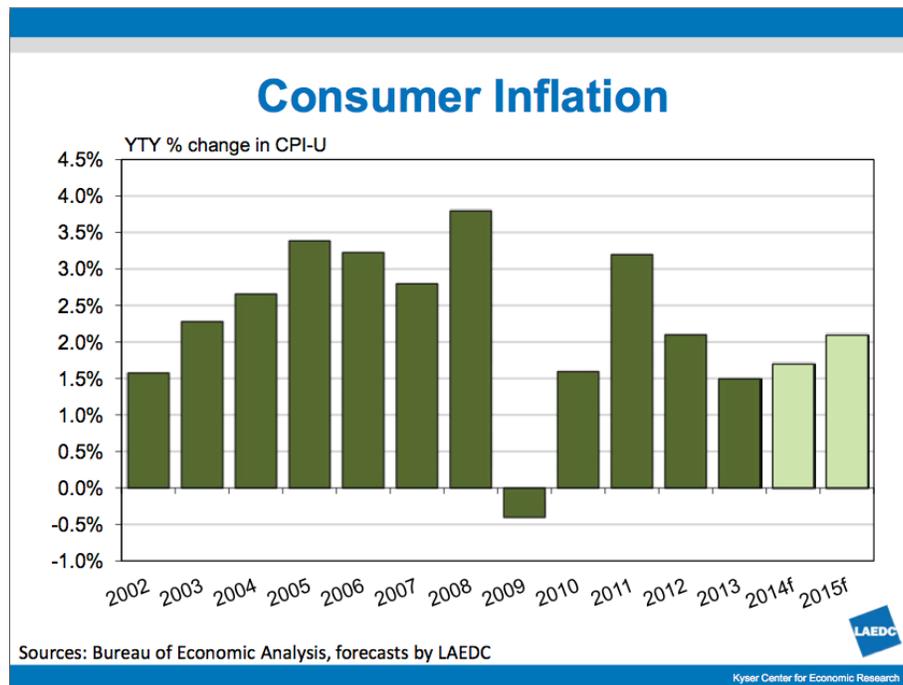
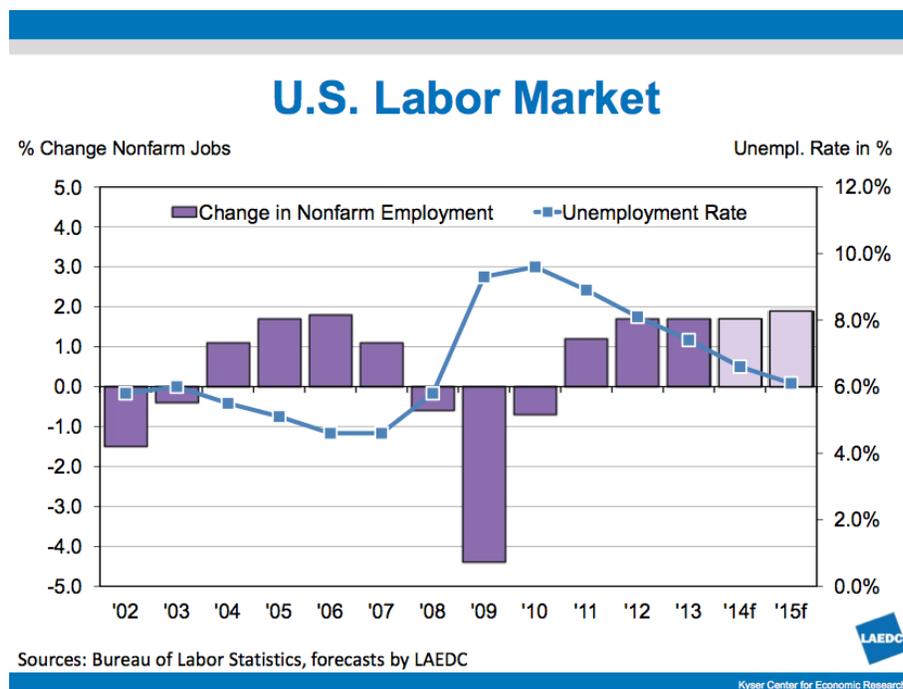


Figure 3:
YTY % Change in CPI-U – 2002 – 2015
(ABOVE)

Figure 4:
% Change in Non-Farm Jobs with Unemployment Rate- 2002 -2015
(BELOW)



Together, the ports of Long Beach and Los Angeles have created over 1.1 million jobs in the state of California and 3.3 million jobs across the United States (Martinez, 3). There are over 896,000 people in Southern California alone who are employed both directly and indirectly by the POLA and POLB (Martinez, 3). Aside from providing individuals jobs, the ports have created a value of trade to the economy. In 2012, the ports were handling over \$63 billion in the state of California and over \$260 billion in the United States. This directly translated to just over \$6 billion in tax revenue for California and almost \$23 billion for the national government (Martinez, 3). Needless to say, the ports of Southern California have played a tremendous role in the local and national economies throughout the last decade. To understand how the ports have managed to stay at the top of the list for production and efficiency, it's important to look at its infrastructure and systems of trade from sea to land, and vice versa.

Integration, Cooperation, Interdependence, and Competition

One of the main reasons the POLA has remained so crucial to the flow of goods across the United States and around the world is its methodically structured system of bringing shipments from contact to contact. About one hundred unit trains come in and out of the POLA every single day (Arikawa). By rail, the port can directly reach 14 major distribution centers across the United States (Martinez, 8). For example, distant cities such as Chicago and Dallas, located in the center of the country, can easily ship and receive goods directly from the Port of Los Angeles through its railway system without wasting time and gasoline by truck (see **Figure 5**). It creates a simple solution for these trade hubs because they only have to deal with one entity to get their goods, in this case, the Port of Los Angeles. These trains can carry over 100 units in a single trip, making it

an incredibly efficient system for both the port and the companies who are exchanging goods. On a local level, one primary example of organized railway systems is the Alameda Corridor.



Figure 5:
Map of the
Cargo Rail
Systems
through the
United States

Source:
Martinez, 8

This 20-mile railway express line runs primarily along Alameda Street and connects both ports in the South Bay to downtown Los Angeles (ACTA). Since 1981, this railway system has been the primary means of transportation for goods directly from the seaports to the heart of downtown Los Angeles (ACTA). As of January 2014, the corridor carries 12,557 TEU's every single day. That is just under 50 trains running back and forth on the corridor, delivering goods that are desired all around the Southern California area (Jones, 36). Additionally, the number of trains rose by 8.2% on a year-to-date basis since November, resulting in production numbers not seen since 2007 before the recession (Jones, 37). Another primary reason for the popularity of the POLA is the weather of Southern California. Business operations are rarely affected by weather in Southern California. Shipments can be processed and handled virtually 365 days a year, another reason why companies decide to ship their products through that port (Arikawa). Ports as large as the POLA also typically enhance their status with partnerships. Similar to the airline industry, the

POLA has made key partnerships with shipping companies and specific industry movers in order to gain an advantage over their competitors (Arikawa). In 2013, the POLA's top five imports included furniture, auto parts, apparel, electronic products, and footwear (Martinez, 6). These are large order products that have routinely been top imports for the POLA in the last decade. They have developed strong relationships with the shipping companies that handle these industries, which has in turn given them steady business year after year.

As mentioned before, many companies and industries rely on the POLA and ports like it every single day. If the port were to shut down just for a single day or perhaps a week, the consequences could be very detrimental to thousands of companies (Arikawa). One reason is that many industries in today's market use just-in-time inventory (JIT), effectively keeping carrying costs low and turnover high (Arikawa). In theory, this is a great way to improve a business's return on investment. But, the risk for companies that do this like Toyota or Kirkland Boots is that this strategy relies on their supplier getting them the products on time. If the ports shut down even for a short time, this could result in a supply and demand problem. The volume and value on these ships from each country is so immense (see **Table A**), that a single day's loss of inventory could mean life or death for some of these companies. This is why maintaining a reputation of being organized and functional is important to staying ahead of the competition as America's number one gateway.

Country	Cargo Value (CY 2012)
China/Hong Kong	\$138 billion
Japan	\$46 billion
South Korea	\$17 billion
Taiwan	\$13 billion
Vietnam	\$10 billion

Table A: Top 5 Trading Partners in Cargo Value

Although the POLA is the largest and most used port in the United States, there are many other ports that act in a similar fashion that could pose as a siphon of business for the POLA. For example, the ports in New York, Savannah, and Oakland are in the top five largest and most prosperous ports in the United States (ITA). In 2013, New York handled 5.5 million TEU's, Savannah handled 3 million TEU's, and Oakland handled 2.3 million TEU's (Martinez, 5). Above these three ports, coming in at the number two spot for most TEU's in 2013 is the Port of Long Beach (POLB). The POLB handled over 6.7 million TEU's last year, valuing more than \$100 billion of cargo (refer to **Table C**). Ports situated on the Gulf of Mexico and East Coast also pose a threat to the POLA's inland connections. Additionally, Canadian and Mexican ports have become increasingly competitive for the ports in the South Bay primarily because of their existence along the Pacific Rim (Arikawa). The POLA is in an excellent location on the Pacific Rim, allowing shipping routes to be simply outlined and various ports easily reached in Shanghai, China (the world's largest port), Japan, South Korea, Vietnam, Taiwan, Australia, Chile, Panama, Guatemala, and Mexico (Port 2012). The POLA has an advantage over its competition around the United States because of its direct trading line to the world's largest ports of China and Southeast Asia. In

fact, over 90% of the Port of Los Angeles's cargo is from Asia (Port 2014). Although ports around the United States are large and imperative for driving the national economy, none have had as significant of an influence as the POLA.

Figure 5:
Map of Shipping Lines from POLA to world
Source: LA Chamber Global Initiatives Council, March 2014



Alternative Modes of Transportation: Domestic and Global

The shipment of goods by boat is the oldest form of global trade. The reason it has lasted thousands of years is because of its costs savings compared to technological developments. Companies today are sending and receiving literally tons of products using the JIT systems previously mentioned (Arikawa). For instance, an automobile manufacturer in Japan can fit over 2,500 small to medium-sized vehicles on one container ship (Meeks). It would cost significantly more money and energy to send those cars via plane. The simple weight of the cars and size of an airplane would make it impossible to fit and ship 2,500 cars at one time. In December of 2013,

Shell came out with the world's first megaship. Measuring at 1,601 feet long and 243 feet wide, a vessel this size could carry 18,000 TEU's in one shipment (Vessel). The average container ship can carry just 7,000 TEU's (Vessel). Instead of using resources to find new ways to transport goods, engineers and environmentalists are working together to figure out how to cut costs and create more efficient methods of transferring goods by sea. The same theory goes for transporting goods on land once they have been offloaded at the docks.

Over 14 different freight hubs are reached through the rail system stemming from the POLA. Chicago, Atlanta, Memphis, Houston, San Antonio, Denver, Omaha, Kansas City, Dallas, and St. Louis can all be reached quickly and affordably through this rail system (Martinez, 8). Driving trucks to these locations would be subject to many more variables such as traffic, cost of gas, and human costs. A company would have to pay more money in the form of salaries to drivers than to train conductors. Additionally, a company can move an incredible amount of containers via rail than it can via road. One train can carry up to 100 units of cargo while a truck could carry just one or two (Arikawa). Ultimately, alternative methods of transportation are not as important a topic as the discussion of how to make existing ones more efficient (Meeks). Cutting costs and implementing more effective systems of bringing products from point A to point B is where the discussion lies, especially heading into future expansion with new and emerging global markets.

Strategic Implications for the Future

The system the Port of Los Angeles has developed over the last century has made it a national gateway for trade into and out of the United States. The port is advancing capital improvements at a pace of about \$1 million a day, ensuring that customers benefit from superior cargo terminals and rail infrastructure to the greater Los Angeles area's unparalleled shipping and distribution resources (Port of LA Handbook). The POLA must also look to capture strategic partnerships in emerging markets before other ports do. As previously mentioned, the POLA has an ideal position in reaching countries along the Pacific Rim. That being said, developing economies such as India or Indonesia would pose as ideal places to establish relationships (Arikawa). India, Asia's third largest economy, expanded by 4.8% from July to September 2013, up 4.4% from the previous quarter (World Bank). Some experts argue that another emerging market to capture is Africa. If Africa can receive basic business necessities and operate under proper management, the African market could be an optimal source of business for the POLA (Arikawa). The only hurdle, however, is cutting through red tape with both the American and African governments. I will dive more into these opportunities in the next section.

SWOT Analysis

Strengths

- Weather is not a detrimental factor to business processes. Operations at the POLA and POLB occur essentially year round with limited to no real weather hazards (POLA Website).
- The railroad system links the POLA directly to 14 major distribution hubs across the United States. Primarily, the Alameda Corridor links both the POLA and POLB

directly to downtown Los Angeles, the largest logistical center in the country.

(Martinez, 8)

- 10 million people live in the Los Angeles area. (US Census) This is one of the nation's largest collections of consumers, creating an ideal location for businesses to thrive.
- 660 million square feet of warehouse/distribution space within 80 miles of the port (Port of LA Handbook, 2011). Businesses have no trouble looking for places to store their inventory.
- The POLA is conveniently located along the Pacific Rim. The largest existing economies and some of the fastest growing economies are located along the Pacific Rim, making Los Angeles perfectly located to reach these businesses.
- 18.5% national market share for all waterborne imports and exports. 33.7% market share for West Coast market share (POLA Key Performance Indicators)
- 1,684 acres of container terminal backland. 113 miles or rail on port property with 100 trains moving per day. (POLA Key Performance Indicators)
- Spending \$1 million a day in capital improvement programs (POLA Key Performance Indicators)

Weaknesses

- The POLA is its own legal entity, but is strongly influenced and backed by government (POLA Website). There is a tremendous amount of red tape that exists for the executive and managerial boards.
- Strict environmental regulations sometimes slow down or prevent progression of business operations. Since the land that the port is on is owned by the state, groups like the EPA constantly monitor the POLA to make sure they are following laws and guidelines.
- International Longshore and Warehouse Union. Union workers at the ports sometimes cause production to slow down or cease if a problem arises. (Longshore) Example: A November 2012 union strike of 800 workers cost an estimated \$1 billion a day at the ports of Los Angeles and Long Beach.

Opportunities

- Emerging markets in other countries. The POLA can remain atop the list of largest ports by volume if it establishes relationships with these countries' governments and businesses while they're still small.
- Go where the customers are in Indonesia and China. They have to successfully locate and reach the middle classes with disposable income because this is where the big business will reside.
- Merge with the Port of Long Beach. Currently, the POLA and POLB each have their own managerial teams and executive directors. Whenever they collaborate, it takes too much time to reach agreements and ultimately causes delays. A merger would make Southern California stronger as a port in terms of assets and relationships

(Arikawa). Additionally, it would shorten the time it takes to move forward, something larger Asian ports currently have as an advantage.

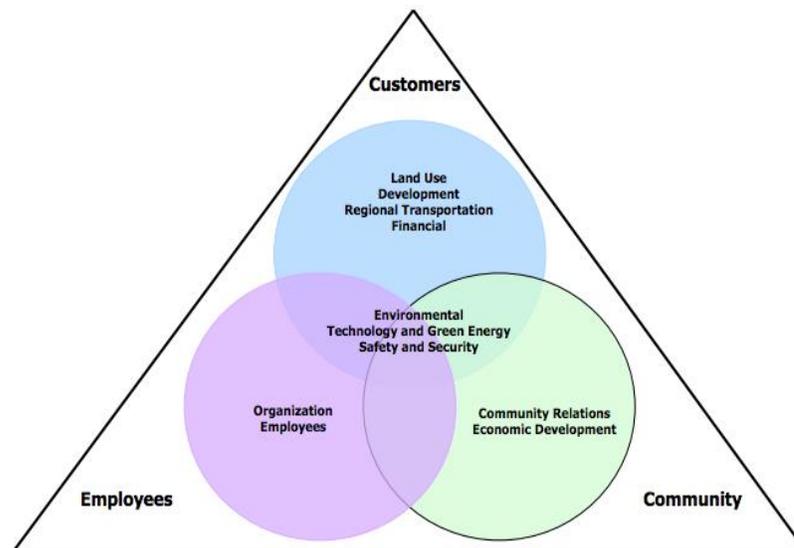
Threats

- Competition is never ending. Ports along the West Coast of the United States like Tacoma, Oakland, and Long Beach are also located along the Pacific Rim. The POLA has to constantly take steps to make itself competitive.
- The world economy. The heart of the port's core business is reliant upon the shipments that come in and out every single day. If the nation or world GDP decreases, companies will focus less on shipments and turn to their own inventories.
- Alternate technology. As of now, the POLA can handle megaships and larger carriers who come into the harbor to deliver goods. If they are not able or willing to raise the necessary funds to implement new technologies of the future, other ports will surpass them and become more efficient.

Past Business Strategies

The POLA has been the gateway for various industry imports and exports throughout history. Originally used for fishing and oil drilling, the POLA has since become one of the most prominent centers for international trade (Estrada). Over the last decade, they have solidified their reputation as “America’s Port” by moving more containers than any other port in the United States (Port of LA Handbook). In fact, they have effectively doubled their volume in the last 10 years (Wilkman, 0:34). Their business strategies have not simply been developed by the port alone, but rather with input from various stakeholders. In the port’s initial 2006 Strategic Plan, they emphasize how the port will put the plan together with input from the office of the mayor (I will go into more depth on this topic in the PEST section of this report).

Figure 6:
Environmental
Technology and Green
Energy Safety and
Security Diagram --



In 2007, business was looking good for ports in the South Bay, handling 8.4 million TEUs and 42% of US waterborne imports (ITA). What they decided to focus on was building up a strong infrastructure to promote future growth and development. The port successfully developed comprehensive capital programs to assist management with their long-term goals (Strategic Plan

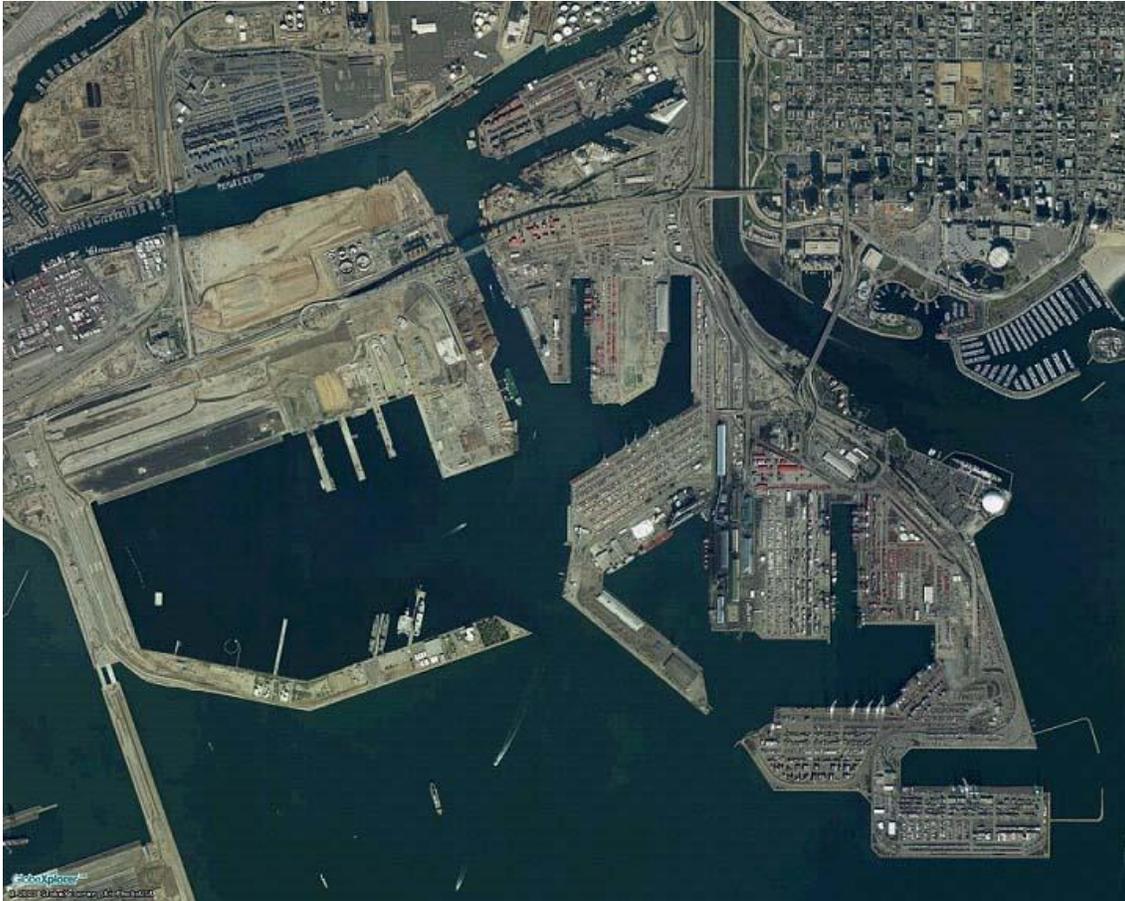
2006). Additionally, they were focused on implementing green programs and public safety initiatives that were not set in place or applied efficiently. They adopted the Green Building Policy and sustainable construction guidelines around the LA Harbor area (Strategic Plan, 2006). They also completed phase one of the Cabrillo Beach Sand Replacement Project (Strategic Plan 2006). Again, the focus was on improving their infrastructure while also investing in their image as an eco-friendly facility. They even implemented the Mayor's Million Trees LA Planting Program within the port area (Strategic Plan 2006). Initiatives such as these were taken to ensure the progression of the port during a time of economic growth.

Port of Long Beach (POLB) Relationship

The POLA and the POLB are sometimes referred to as the “economic one-two punch” for the region of Southern California (Estrada). The reason for this is because the two ports carry the largest amount of cargo, some 14.6 million TEUs in 2013, compared to any other port in the United States (Kleinhenz). The ports are located only 4.4 miles from each other on the edge of the South Bay. The POLA and POLB have averaged about 14 million containers annually, earning the title as the eighth largest seaport in the world in 2012 (LAEDC). Since both ports have similar access to the Pacific Rim, they share similar trading partners, and in that, they are typically measured as one combined port on global lists. China, Japan, South Korea, Taiwan, and Vietnam are the largest trading partners for both the POLA and POLB (Martinez, 6). Each conducts business with these countries on a daily basis and relies heavily on their relationship. The two ports are also very connected through systems such as security, environmental programs, and infrastructure programs. For instance, both ports worked together on the Clean Air Action Plan to help fight the poor air quality emitted by diesel engines in the LA area (Strategic Plan 2006). In

March 2006, the two ports joined with the Environmental Protection Agency and other environmental groups to find solutions to enhance air quality and quality of life for Southern California residents. Although they do share many characteristics, the port's expertise in terms of input and output is in two different areas.

Figure 7: Aerial Shot of the Port of Los Angeles



The POLA, first and foremost, is owned by the City of Los Angeles. They work primarily with the city council and their branches to implement business practices consistent with public policy. According to their 2012 Strategic Report, the port has been launching programs revolved around competitive operations, building and nurturing strong relationships, and increasing their financial strength through the execution of programs such as the Capital Improvement Program (CIP) (Strategic Report 2012). The POLB, operated by the city of Long Beach's Harbor Department, is

primarily valuable to the national economy for bringing in products ranging from clothing to petroleum (POLB FAQ). Their largest trading partners are China, South Korea, Hong Kong, and Japan (POLB FAQ). The POLB moved more than \$140 billion in goods in 2013, which is the second largest container port in the United States behind the POLA (Martinez, 8). The POLB also uses initiatives to better their community similar to the POLA. Roughly 25% of all POLB cargo runs along the Alameda Corridor freight rail expressway (Pacific Maritime Association). This effectively eliminates more than 200 street-level railroad crossings that used to delay motorists in the LA and Long Beach areas (Pacific Maritime Association). The two ports in the South Bay have collectively been a major contributor to the progression of Southern California.

Unfortunately, the ports' massive combined output comes at a cost. In 2005, it was recorded that the ports accounted for 94% of ambient carcinogenic risk in the LA area (Kyser). The two ports combined were the single largest fixed source of air pollution in the entire LA basin (Kyser). Although there have been improvements over the last decade, the air pollution between ports is a problem that has been brought up time and time again by the community and their representative politicians. This is why the execution of these "green" initiatives has been a primary concern and investment for the two ports.

PEST Analysis: Port of Los Angeles

Political

Politics plays a major role in the daily and long term operations of the POLA. First off, the port is currently located on state-owned land. This effectively gives the state control over what its tenant, the port, can do and how they run their business. The City of Los Angeles has appointed Los Angeles Harbor Commissioners for the POLA. This board creates policies and appoints the port executive director, the top official at the Harbor Department. Although the POLA is its own legal entity, the state and local governments have strong influence in the port's operations and overall functions. In fact, the POLA has set up a government affairs position within the external relations sector of management (POLA Website). This position enhances intergovernmental support on all levels, ranging from local and regional all the way to federal and even international government agencies (POLA Website). Government plays an important role in the grand scheme of every level of economic development, so their cooperation and input has value in the affairs of a mega gateway like the Port of Los Angeles.

Economic

The port has a significant impact on the economy stemming from the local level in Los Angeles all the way to national and international GDP. The amount of business that is stimulated by the port on an everyday basis accounts for more than \$700 million worth of total trade (LAEDC Industry Outlook, 12). As previously mentioned, the port is both directly and indirectly related to tens of billions of dollars in industry sales each year in the Southern California region (Port of LA Website). In effect, those sales directly correlate to millions of dollars in wages, salaries, and state taxes (see **Table A** for list of numbers). California's economic forecast is similar to the national forecast in the sense that there is an estimated percentage increase. Referring to **Figure 4**, the

unemployment rate is estimated to drop a full percent from 2013 to 2014 while personal income is estimated to double.

Table B: Jobs, Trade Value, and Tax Revenue from the Port of Los Angeles, *Source: LAEDC 2013*

Table C: California Economic Forecast *Source: LAEDC, Slide 22*

	California	United States
Jobs	1.1 million	3.3 million
Trade Value	\$89.2 billion	\$223 billion
Tax Revenue	\$5.1 billion	\$21.5 billion

Nonfarm Jobs- Annual % Change	1.2%	2.1%	1.7%	1.8%	2.1%
Unemployment Rate	11.8%	10.5%	8.9%	7.9%	7.1%
Person Income – Annual % Change	6.6%	5.0%	2.4%	5.0%	5.2%
Total Taxable Sales - % Change	9.1%	7.8%	5.1%	5.1%	5.9%
Housing Permits – Thousands of Units	47.0	57.5	79.7	112.7	152.1

Social

As people around the world become more economically stable, their standard of living will increase. Since their standard of living is increasing, their amount of disposable income increases, thus resulting in higher purchasing power. What this means for the Port of Los Angeles, as well as other ports around the world, is that business will thrive. Per my interview with a director at the POLA, I learned that what the port imports and exports is based upon supply and demand (Arikawa). For instance, people in India and China are slowly becoming richer, which means that they can afford to eat more meat. Meat comes from livestock, which these countries have plenty of. But, these livestock have to be fed animal feed, which is currently grown

abundantly on California farms. So, the POLA has responded to this new demand by exporting more animal feed to these developing economies around the world in order to feed the livestock that they will eventually use for meat (Arikawa). In addition to expanding their exports to meet demand, other social phenomenons are occurring on the home front that affect how the port operates.

It is estimated that consumer spending accounts for nearly 70% of the total spending in the United States (LAEDC Industry Outlook, 12). Consumer spending rose by 7.1% last year, primarily within the automobile industry. In fact, there are strong gains in vehicle expenditures that will exceed prerecession levels this year (LAEDC Industry Outlook, 12). The reason for this is a confidence in the economic environment we are living in, among other things. Since demand is increasing, the port will do what is necessary to meet the social need of our burgeoning populations of Southern California and across the United States. The social environment plays a key role to the business that is conducted through the ports, especially the largest in our consumer-minded country.

Technological

The port has started an advanced technology and sustainability initiative as a strategic objective in its competitive operations. This has begun from increasing the number of zero emission trucks in the port, focusing on the trips to and from rail yards (POLA Strategic Plan 2012, 8). They are estimating that they will be done by the end of this year, with a goal of increasing their zero-emission truck fleet to 50% or 100% by 2019/20 (POLA Strategic Plan 2012, 8). Another technological implementation by the POLA is called the Alternative Maritime Power™, which are a series of alternative measures designed as a means to a more rapid and efficient reduction of

vessel emissions (POLA Strategic Plan, 8). These examples of technological innovation not only benefit the ports on a cost basis, but also their surrounding communities and interest groups. For instance, their third initiative in the 2012 Strategic Plan is to partner with PortTechLA and CleanTechLA in order to reach out to help incubate three renewable startup companies in 2013 (POLA Strategic Plan 2012, 8). These technologies and partnerships will greatly benefit the port on a cost analysis level as well as boost its reputation.

The port is also developing better technologies to move shipments and cargo from the vessels in a safe and timely manner. In 2012, the port developed a self-sustaining internationally recognized law enforcement-training center for port and maritime professionals (POLA Strategic Plan 2012, 6). This is to make sure that “America’s Port” can run smoothly and efficiently knowing it is protected and prepared against the constant threat of violence and danger. Since its daily operations are so vital to all levels of economic growth, the port’s protection is vital. Along those lines, the POLA also took an initiative to enhance port resiliency by providing emergency management training to managers and staff (POLA Strategic Plan 2012, 6). They increased the amount of training sessions as well as the number of people to ensure that all workers and cargo are safely guarded and protected. Technological advancements such as these are beneficial to the POLA and will only serve to promote efficiency and safety within the corporation.

Global Benchmarking Analysis

As mentioned before, the POLA is best known as “America’s Port” because it has the highest level of container volume of any other port in the nation. Based upon my research up to this point, it is clear that executives at the POLA are on a quest to make it known as the “World’s Port” – a very tough spot to reach. China is still staggeringly higher in terms of output compared

to the POLA. **Table D** demonstrates how Shanghai, China still has more than double the amount

WORLD (CY 2012)	North America (CY 2013)
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of output than the POLA in 2012. (LA Chamber & Committee for Economic Development). The

fact remains that they are far behind the far less regulated ports of Asia and may continue to be for some time, but that is not necessarily a bad thing. China is the world’s second largest trading nation behind the US – leading the world in exports, but coming in second for imports. From 2009 to 2011, its trade to GDP ratio was 53.1%, while its trade per capita was \$2,413 (Department of Commerce).

It is important to keep in mind that the regulations in Asian ports are far less strenuous than those in America. Yes, this does make it easier to import and export in terms of quantity, but what is missing is quality, something that American ports like the POLA have done so well. For instance, China does not regulate their pollution as well as the United States. China’s smog is so bad that they are calling it a “nuclear winter” (Beech). The United States, on the other hand, has implemented eco-friendly programs that not only cause less harm to the environment, but they are taking steps to make it even better year after year. The United States is known for quality around the globe. They have been and currently are setting the standard for industry practices around the world.

Table D: Top Container Ports (in millions of TEUs) Source: LA Chamber Global Initiatives Council, March 2014

Shanghai, China	32.6	Los Angeles	7.9
Singapore	31.7	Long Beach	6.7
Hong Kong	23.1	New York/New Jersey	5.5
Shenzhen, China	23.0	Savannah	3.0
Busan, South Korea	17.0	Vancouver	2.8
Ningbo, China	16.8	Oakland	2.3
Guangzhou, China	14.7	Hampton Roads	2.2
L.A./Long Beach	14.6	Manzanillo	2.1
Qingdao, China	13.0	Houston	2.0
Dubai, Arab Emirate	11.6	Tacoma	1.9

BEST PRACTICES, STRATEGIES, AND SOLUTIONS FOR COMPETITIVENESS

Best Practices and Methods - US

With industry guidelines developed by organizations like the American Association of Port Authorities (AAPA), ports in the United States, Canada, the Caribbean, and Latin America have come together to set standards to operate by in order to sustain economic hardships and manage assets efficiently (AAPA). Since many executives at these major ports are taking a systematic approach to asset management, capital is now being reinvested into “changes in facility utilization or function, disaster planning, infrastructure investments, and business resilience and privatization” (AAPA). For instance, the port of Seattle is investing \$2 million over two years to perform condition assessments of priority terminal systems, prepare prioritized lists of repairs and upgrades, and develop a program for ongoing inspections (Pattison, 4). Moreover, The POLA has established port real estate best practices in order to better organize their real estate investments. Together with AAPA MEDC work groups, they have set up this committee to develop ‘best practice’ protocols for discussions and are actively organizing workshop sessions, webinars, and white papers with the intention of maintaining protocol (AAPA). Additionally, the POLA has initiated public and governmental relations workshops to help inspire communication within the organization and the community. For instance, they hosted an AAPA event titled

“Communicating Under Stress: Managing Disasters, Dilemmas, and Misperceptions” in February of 2013. This was designed, in part, to “focus on crisis management, preparation, and response” when dealing with an issue or disaster (AAPA).

The POLA is also involved with maintaining best practices with their suppliers and customers in the region. The port has developed the *Trade Connect* program with the intention of acting as a “facilitator and venue for exporter education and promotion activities in their region” (AAPA). The services include helping companies find overseas markets, aid in trade financing, and handle logistics throughout the transaction processes. In 2014 alone, this program led six different seminars across Southern California ranging from workshops for aerospace suppliers to trade show tactics in Hong Kong (POLA Website). The reach of this program does not stop at the shores of Southern California, but rather has long reaching effects both nationally and internationally.

Best Practices and Methods - Global

According to Jim McLellan, Director of Trade Development at the POLA, “China and Southeast Asia need a lot of what the U.S. has... and no port is better positioned and equipped than Los Angeles to facilitate that trade.” With the implementation of the *Trade Connect* program, the POLA can now educate their local customers on how to properly trade with potential overseas customers. The program is currently focused on promoting trade from businesses spanning “food and beverage, machinery, chemicals/pharmaceuticals, electronics, aerospace, medical equipment, green technologies, and fashion” (POLA Website). According to McLellan, “95% of the world’s consumers are outside of the United States.” This program paves the way for companies to have an opportunity to reach these formerly untapped markets.

According to Ken Roberts, President of World City Web, the Port of Los Angeles is “on its way to \$500 billion in two-way trade in the next six years.” This is not a far-fetched estimate since the amount of trade has grown steadily over the last decade. In 1992, the POLA & POLB were handling about \$100 billion in trade. By 2006, the ports were handling more than \$300 billion. In less than a decade, the two ports in the South Bay’s trade totals have grown almost 40% in 2013, roughly \$415 billion in total (POLA Website).

Porter’s Model: Level of Competitiveness

Supplier Power

- The suppliers do not have as significant amount of power as the buyers at the POLA. They rely on the port to send out their products all around the world. The port handles so much traffic that losing one supplier will not have an immense effect on the POLA.

Buyer Power

- Buyers have more power than suppliers in the case for the POLA. As mentioned in a previous section, the suppliers will go where the customers are. Since there is an enormous urban sprawl in the Los Angeles area, the ultimate customer power lies in LA.

Competitive Rivalry

- Both the POLA and POLB are essentially operating on state-owned land. If either of them want to make major decisions, they would have to go through the same governmental office.
- In essence, there is not a threat of substitution on the West Coast because these two ports are already interconnected. They already work with each other rather than against each other.

Threat of Substitution

- The only real competitor on the West Coast for the POLA is the POLB. But, this is not even a real concern. The POLA and POLB have their own separate systems for importing and exporting goods. They have an agreed upon system not to interfere with each other's industries (Arikawa).
- Substitution threats on the West Coast of the United States could stem from San Francisco or Seattle. But as previously mentioned, weather plays a key role in the year-round operation of these ports.

Threat of New Entry

- The Port of Los Angeles is one of the oldest and most trusted ports not only in America, but also across the globe.
- Threat of new entry by another port on the West Coast is not a primary concern for the POLA. Los Angeles is a mecca for business, and the port is strategically located and implemented in the city's infrastructure.
- New entry into this market is not a primary concern for the executive team at the POLA.

CONCLUSION

The Port of Los Angeles is one of the most important operating institutions in the entire world of business, handling more than \$400 billion worth of cargo in 2013 (Martinez, 3). It is

called the “Gateway to America” because it acts as such, handling more cargo than any other port in the entire nation. The full economic impact and growth of the POLA is a measure that has not been reached by any other American port in history (Port of LA Handbook, 2011). Its location on the coast of Southern California is optimal for bringing products in and out of the Los Angeles area, as well as across the United States to any one of the many major trade hubs. On a global scale, the port is optimally placed along the Pacific Rim, creating direct lines to populous countries and growing economies like China, India, and Chile (Martinez, 4). It is interdependent with many other ports around the world, national and international economies, and intergovernmental agencies and organizations.

The POLA is the eighth largest port in the world behind six Chinese ports and one port in Singapore (Martinez, 8). Research has shown that strict environmental regulations and other governmental regulations hinder the rapid growth of the port compared to those in eastern countries. Moreover, the POLA is commonly linked with the Port of Long Beach (POLB) sometimes being collectively referred to as the “Port of the South Bay” (POLA Website). In the short run, these global ports like the one in Shanghai has more trading power (32.6 million TEU’s) and a larger portion of the world market share with more than 1.35 billion people (World Population Review). In reality, poor regulations and corruption could lead to mistrust and lack of business. The POLA is constantly being monitored by internal and external forces such as other ports and organizations like the AAPA, the office of the mayor, the state of California, and the federal government (Estrada).

This port has remained competitive on a global scale for the last two decades primarily due to best practices and strategies. They are taking steps to stay competitive by strengthening their core infrastructure. Disaster planning and budget allocations found in the *Trade Connect*

program are examples of ways in which they are doing this sort of core development (POLA Website). Moving outwards, they have established means of transportations with the Alameda Corridor and the different rail systems to hubs across America (Martinez, 4). They are constantly and consistently taking steps to stay competitive in the global marketplace. As long as they continue to strive to become better every single year in terms of output and efficiency in ethical ways, the Port of Los Angeles will be well on its way to being the top producing port not just in the United States, but around the world.

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