

U.S. study sees GDP harm in a West Coast port shutdown

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NEW YORK (MarketWatch) -- A three-year closure of the country's two largest ports, in Long Beach, Calif., and Los Angeles, would reduce the nation's economic growth by as much as half a percentage point, or about \$70 billion a year, according to a congressional study.

The Congressional Budget Office, in a report requested by a Senate homeland security subcommittee, said an unexpected three-year halt to traffic in goods through Long Beach and Los Angeles would increase inflation by about two percentage points in the first year but then level off.

In addition, employment levels would be about 1 million jobs lower during the three-year period, the CBO said.

The CBO was charged with analyzing "the national economic costs of disruptions in container traffic, regardless of their cause." A Senate committee conducted hearings Thursday on the security of the nation's seaports -- an issue that took on added significance in the wake of the Dubai Ports World controversy.

"When shipments are diverted from one port to another — as would occur if the Los Angeles and Long Beach ports closed for a long period — income and jobs would shift with them." For the nation's economy, gains elsewhere would offset some of the losses in southern California, according to the report.

About half of the nearly \$1.5 trillion in goods the U.S. imported in 2004 came by sea. Just 20 ports handled more than 80% of the traffic in goods, with Los Angeles, New York and Long Beach controlling about 40% of imports. Imports of containerized goods amounted to \$423 billion in 2004, the CBO said, with the two large California ports handling about \$182 billion of that total.

A one-week halt to imports, also modeled by the researchers, would cost the U.S. economy between \$65 million and \$150 million a day. Some shippers would end up paying to avoid the delays.

In contrast, the Sept. 11, 2001, terror attack cost New York City \$33 billion to \$36 billion, according to the Federal Reserve Bank of New York, while hurricanes Katrina and Rita in 2005 produced losses of \$70 billion to \$130 billion.

The report, "The Economic Costs of Disruptions in Container Shipments," was released Wednesday.

The Senate Committee on Homeland Security and Governmental Affairs heard testimony on container security and global supply routes.

A committee staff report, scheduled for release Thursday, on inspection and security checks for dangerous shipments headed to U.S. ports says "the vast majority of high-risk containers are simply not inspected overseas."

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