

## Japan quake creates disruption, opportunity for shippers, port

### Japan quake likely to affect operations

By Stephanie Hoops

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After Japan's 9.0-magnitude earthquake, shipping companies that transport vehicles through the Port of Hueneme are preparing for business disruptions, but also foresee opportunities from possible demand for goods to rebuild.

Japan's auto industry was idled after the massive quake triggered a tsunami, with most production plants closing for different periods of time while the situation was assessed. Power supply shortages and planned outages also are a concern that could slow productivity.

Three Mitsubishi Motors Corp. plants were shut down for several days, throwing off the shipping schedules for "K" Line America Inc., which imports Mitsubishi vehicles through the port.

Ray Leonard, vice president of "K" Line's Pacific Region Car Carrier Division, said the company will be working closely with Mitsubishi to adjust schedules for cargo still in production.

"Mitsubishi is the single largest account that we handle with import vehicles into Port of Hueneme, and I would expect that there would be some delay to manufacturing and shipping," he said.

Jerry Mahoney, director of business development for Wallenius Wilhelmsen Logistics — a Scandinavian line that ships and processes construction machinery and new and used vehicles through the Port of Hueneme — said one of his largest auto exporters to China is concerned about potential parts shortages.

"From what I'm hearing from all manufacturers is that communication with all major parts suppliers is still down in Japan," he said last week.

Anthony Taormina, executive director of the Oxnard Harbor District, which oversees the port, confirmed that concern. "From the automotive side, the biggest disruption has been in the areas of auto parts," he said. "If anybody's relying on Toyota auto parts, they're slowing down production."

Toyota idled all of its facilities from March 14-Thursday, stalling the production of 40,000 units, according to IHS Global Insight.

While Toyotas aren't shipped through the Port of Hueneme, at least one local dealership, Thousand Oaks Toyota, reports no impact from the halt in production.

"A lot of Toyota's cars are built in North America, so as of now the North American plants are still operating on normal shifts," said Andy Robles, the dealer's general manager. "So we're in good shape. There's plenty of parts in parts depots across the country. Right now we don't see a problem."

Parts shortages will disrupt American manufacturers that rely on components from Japan, according to IHS Chief Economist Nariman Behravesh.

"The U.S. operations of Japanese automakers are the most obvious example," Behraves wrote in an analysis last week. "Ideally, they would like to gear up U.S. operations to replace imported vehicles that will not be arriving, but if crucial parts made in Japan are unavailable, they will have to cut production instead."

The United States imported \$124 billion in merchandise from Japan in 2010 and the biggest share was motor vehicles and parts (\$46 billion), according to IHS.

The Los Angeles County Economic Development Corp. is still working to quantify the impact the devastation will have on the Southern California economy but they are beginning to hear about supply chain issues with regard to the auto industry, computer parts and electronics in the U.S. and elsewhere.

LAEDC economist Ferdinando Guerra said the Port of Hueneme will certainly be impacted because the majority of what is coming into the port from Japan are vehicles and auto parts.

Mitsubishi and Suzuki vehicles are regularly come through the port, but shipping routes might also be affected because other Asian brands, such as South Korea's Hyundai and Kia, also come into the Port of Hueneme.

Economists say there may be opportunities for American auto companies if demand shifts because of short supplies of Japanese-brands.

Shipping companies may also benefit if called upon to transport manufactured homes like they did after the Kobe earthquake in 1995, said Mahoney of Wallenius.

"There were a lot of homes destroyed in that quake and we shipped a lot of manufactured homes through Hueneme," he said. "I would think as housing for all the homes swept away there'd be a big export of manufactured homes."

Leonard also expects that "K" Line may see an uptick in Japanese demand for foreign goods.

"It's possible that there'll be an increase in shipments of different commodities to Japan related to rebuilding and recovery of the disaster," he said.

As for radiation, there's concern Japan may put a hold on its shipping ports due to high levels of radiation from nuclear reactors, according to General Motors' North American President Mark Reuss, who was quoted last week in the Detroit Free Press.

But Taormina is not worried about radiation getting in through the Port of Hueneme because all cargo gets screened.

"We have radiation portals," he said.

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