

MEETING AGENDA

February 15, 2018

STATE OF WASHINGTON BOARD OF PILOTAGE COMMISSIONERS

Agate Conference Room, First Floor, 2901 Third Avenue, Seattle, Washington 98121

1000 Call to order

REGULAR MEETING

1. Approval of January 18, 2018 Minutes
2. BPC Staff Report
3. BPC Chair Report
4. Activity Reports (5-10 minutes each)
 - The Northwest Seaport Alliance
 - Shipping Industry
 - Puget Sound Pilots
 - Port of Grays Harbor
 - USCG

NEW BUSINESS

5. Presentation of Recommendations from the Pilotage Best Practices Review – Presented to the Joint Transportation Committee (JTC) on January 23, 2018 by Spencer Cohen, Community Attributes Inc., and Mark Gleason, Gleason & Associates – Q&A to follow
6. Approval of Pilot License Upgrade Programs: Captains Dave Henderson and Chris Rounds
7. 2018 Legislative Session Update:
 - a. SSB 6269 - Strengthening oil transportation safety
 - b. SSB 6443/SHB 2843 – Addressing joint self-insurance programs for property and liability risks
 - c. SSB 6519/Draft SHB 2983 – Revising the establishment of marine pilotage tariffs
8. Consideration of Request for Vessel Exemption:
 - a. Motor Yacht *Arctic Pride* Renewal (123 FT, 297 GRT) Interim
9. Pilot's Report of Marine Safety Occurrence:
 - a. *HELLESPONT PROMISE* 01-15-18 PS
10. Committee Reports:
 - TEC (Trainee Evaluation Committee)
 - Legislative/WAC
 - JDC (Joint Diversity Committee)
 - Exam Committee
 - Fatigue Management
11. Review of Pilot/Trainee Physical Examination Reports
12. Confirmation of Next Regular Meeting Dates – March 15
April 19

**Public comment accepted throughout the meeting at the discretion of the Chair*



STATE OF WASHINGTON

BOARD OF PILOTAGE COMMISSIONERS

Winter 2018

BPC Mission: to ensure against the loss of lives, loss of or damage to property and vessels, and to protect the marine environment by maintaining efficient and competent pilotage service on our State's inland waters.

BPC QUARTERLY NEWSLETTER

Announcements

MARINE PILOT EXAM

The exam has been scheduled for November 5, 2018. Please visit www.pilotage.wa.gov for additional information.

NEW COMMISSIONERS

The Board has two new pilot commissioners. Captains John Scragg and Mike Anthony were appointed by Governor Inslee on January 19, 2018. Welcome John and Mike!

WOMEN IN MARITIME LEADERSHIP

BPC Chair, Sheri Tonn, will moderate a panel titled Pilotage: It's for You! at CalMaritime's Women in Maritime Leadership conference March 2-3 in Vallejo, CA. The panel will include pilots from Washington, Oregon, and California. Additional details can be found at <https://www.csum.edu/web/diversity/wml>

The 150th Anniversary of the Pilotage Act

On Tuesday, January 23rd, 2018 the Board of Pilotage Commissioners celebrated Maritime Day in Olympia. The day's events were followed by an evening reception where Maritime Sector Lead, Joshua Berger, read Governor Inslee's Proclamation proclaiming January 30th, 2018 the 150th Anniversary of Washington State's Pilotage Act.



Pictured above, left to right were: Capt. Mike Moore, PMSA, Sheri Tonn, Pilotage Commission Chair, Linda Styrk, Puget Sound Pilots Executive Director, Capt. Eric vonBrandenfels, Puget Sound Pilots President, Joshua Berger, Governor's Maritime Sector Lead, Eleanor Kirtley, Pilotage Commissioner, Capt. Michael Anthony, Pilotage Commissioner, Jaimie Bever, Pilotage Commission Executive Director, and Jordan Royer, PMSA* (*Pacific Merchant Shipping Association)*



Changes to Commission Membership

At the January 18, 2018 the Board bade farewell to pilot commissioners Captains Don Mayer and Ed Marmol. Captain Mayer was appointed to the Board in 2010 and served as Trainee Evaluation Committee Chair. Captain Marmol was appointed in 2013. Both Captains were very active in multiple Board committees as well as provided investigative reports for Marine Safety Occurrences and Incidents. The Board acknowledges and is grateful for the excellent work and contributions of these two pilots. Both will continue to be active in various Board committees. Thank you Don and Ed!



Captain Don Mayer



Captain Ed Marmol

Pilot Recognition in Response to Tsunami

Washington State Senator Curtis King recognized and thanked Washington's pilots at the Senate Transportation Committee's January 23, 2018 Public Hearing for their emergency response to the 7.9 magnitude earthquake in Alaska, which triggered tsunami warnings on Washington's coastal waters. The pilots quickly and effectively repositioned numerous vessels in preparation for a tsunami. The warning was later rescinded.

PILOTAGE DISTRICT **SNAPSHOTS**



Puget Sound

2017 Retirements:

Captain Stuart Mork — 7/04/2017
Captain Mike Blake — 7/12/2017
Captain Peter Giese — 10/12/2017
Captain Vic Engstrom — 11/28/2017
Captain Gary Hurt — 12/01/2017

Much gratitude to these pilots for their outstanding service to the state of Washington!

Training Program:

Currently training are Captains Keith Kridler, Sandy Bendixen, and Ken Grieser.

Captains Travis McGrath, Adam Seamans, and Pat Ninburg will begin training on 02/01/2018.

3 trainees will be called up to begin training on 05/01/2018.

Grays Harbor



Training Program:

1 trainee will be called up to begin training 05/01/2018

PUGET SOUND PILOTAGE DISTRICT ACTIVITY REPORT

Jan-2018

The Board of Pilotage Commissioners (BOPC) requests the following information be provided to the BOPC staff **no later than two working days prior to a BOPC meeting** to give Commissioners ample time to review and prepare possible questions regarding the information provided.

Activity

Total pilotage assignments:	602	Cancellations:	23		
Total ship moves:	579	Cont'r:	191	Tanker:	200
		Genl/Bulk:	118	Other:	70
Assignments delayed due to unavailable pilot:	0	Total delay time:	0		
2 pilot jobs:	34	Reason:	PSP GUIDELINES FOR RESTRICTED WATERWAYS		
Day of week & date of highest number of assignments:	33 TUE	16-Jan	Lowest:	7	1-Jan
				7	28-Jan

Comp Days

Beg Total -	2825	Call Backs (+)	76	Used (-)	69	Ending total	2832
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Pilots Out of Regular Dispatch Rotation (pilot not available for dispatch during "regular" rotation)

A. Training & Continuing Education Programs

Start Dt	End Dt	City	Facility	Program Description	Pilot Attendees

B. Board, Committee & Key Government Meetings (BOPC, PSP, USCG, USACE, Port & similar)

Start Dt	End Dt	City	Group	Meeting Description	Pilot Attendees
4-Jan	4-Jan	Seattle	PSP	Pilot Activity Summery	ANA, BRU, CAI, COL, MOT, SCR
8-Jan	8-Jan	Seattle	PSP	President	CAI
9-Jan	9-Jan	Seattle	PSP	BOD Meeting	BOU, COL, CAI, NEW, SEM, THG
10-Jan	11-Jan	Seattle	PSP	President	COL
16-Jan	16-Jan	Seattle	PSP	President	CAI
16-Jan	16-Jan	Seattle	BPC	TEC	ANT, MAY, MYE, SCR
18-Jan	18-Jan	Seattle	BPC	BPC Meeting	ANT, CAI, MAR, MAY
20-Jan	20-Jan	Anacortes	PSP	Anacortes Library Speaker	MAR
23-Jan	23-Jan	Olympia	PSP	Legislature	BOU, MOT

C. Other (i.e. injury, not-fit-for-duty status, vacation)

Start Dt	End Dt	REASON	PILOT
1-Dec	2-Dec	Vacation	ANT, BOU, COL
9-Jan	16-Jan	Vacation	ARN, KEN, NEW, SHU, SOR
23-Jan	30-Jan	Vacation	SES, SHA, SHJ
25-Jan	31-Jan	Vacation	SEM
27-Jan	31-Jan	Vacation	HUP

State of Washington
Pilotage Commission
February 15, 2018

Grays Harbor District Report

Arrivals YTD January 31, 2018 were 8 for a total of 19 jobs. Captain White was on duty in January and Capt. D'Angelo is on duty this month. We anticipate 9 arrivals in February, 5 dry bulk, 3 RoRo and 1 liquid bulk.

Activity Report

We continue to work with pilots, USACE, American Construction (dredger) and customers to prioritize dredging in the waning days of the fish window. As anticipated the new construction of the last year has changed a bit of the sedimentation patterns and will require close monitoring for the next few years until the post-construction conditions balance out. Also the combination of new construction and added maintenance has stressed the normal productivity of the dredge contractor.

Pilot Boat Maintenance

An issue with the on-board fire system requires modification of the mount for the Co2 Bottles. Bottom bracket on the boat is too small and causes the bottles to become wedged making removal for testing a problem. Rust is causing issues with removing the bottles from the bracket. A new bracket will be fabricated that provides proper spacing at bottom of bottles.

Business Development

REG with CBR off the table REG continues to review alternative business initiatives including alternative site selection. In the meantime their current operations are somewhat at the mercy of the bio-diesel excise tax credit that allows them to compete with off shore bio-diesel competition, primarily from Finland.

Contanda has formerly removed crude oil storage and transfer from their business plan and have submitted permit application to City of Hoquiam for additional tank construction to store a variety of refined fuels and chemicals.

Continue to work with WSDOT on short term lease of former pontoon site while the real estate review is completed for the surplus of the site. They did not receive any conforming proposals to initial offering so are looking at alternatives.

DOE VTRA. Work continues with stakeholders on the Grays Harbor VRTA. Here is schedule of future events and topics.

- **February 20: Grays Harbor Safety Committee**
 - We'll discuss the Hazard Identification workshops with the entire committee
 - Following the meeting, we would like to meet with the workgroup for 30-45 minutes to discuss the local factors and Hazard Identification Workshop 2
 - We will email members of the workgroup separately with an agenda for our discussion

- **February 22: Ecology public webinar on the Grays Harbor Vessel Traffic Risk Assessment**
 - As discussed during Harbor Safety Committee meetings and at Hazard Identification Workshop 1, we are holding a webinar to introduce the project to the public
 - We will describe the overall risk assessment process; Hazard Identification; the Response Capability Assessment; and the commercial fishing, tribal fishing, and recreational vessel workshop
 - We will also let people know there will be a public review and comment period for our report, later this spring
 - Ecology will advertise the webinar through email and on our [website](#)

- **February 28: Hazard Identification Workshop 2**
 - Invitations and request for RSVP will go out the week of February 12
 - Handbooks will be sent the week of February 19

- **April 3: Response Capability Assessment workshop**
 - Please note this is a date change from March 28, due to conflicting meetings
 - You can RSVP for this workshop by emailing Sonja Larson (sonja.larson@ecy.wa.gov)
 - We are planning to hold the workshop at the Port of Grays Harbor

- **April 24: Commercial Fishing, Tribal Fishing, and Recreational Vessel workshop**
 - We are planning a morning workshop in Westport for fishermen and recreational boat owners
 - Invitations and additional details will be sent out in early March

WA State Board of Pilotage Commissioners

Industry Update: February 15, 2018 Meeting

Vessel Arrivals January **Down 12**

- + Container, Bulkers Car Carriers **down 10**
- + Tankers/ATB's **down 2**
- + Grays Harbor **down 1**

Assignments **Down 12** Straight Months

- + Assignments **down 15** in January
- + Assignments **down 417** last year, a **decrease of 5.4%**

Context: 5.4% of the Pilot Corps equals 2.8 pilots

Number of Pilots Still Set at 52

- + Retirement reduced number of pilots by one recently
- + Alliance reports some additional container service in 2018 (FINALLY)
- + Not enough to offset the 5% reduction in workload in 2017

Continue to Recommend an Evaluation of Workload/Dispatch to Validate/Change TAL and Improve Fatigue Management & Efficiency

Revenue Per Assignment Increases Continue

(Source: Commission Staff and Pilot Activity Reports)

- + Revenue per assignment increased in 2017; continues long term trend.
- + RPA increases offset some of the reduction in total assignments
- + Another container service will upsize this year

Oil Bill, Transboundary Forums, Harbor Safety Committee, CG

- + Oil bill moving in Olympia; more vessel traffic studies, another transboundary forum, evaluation of ship size, tug escorts and much more.
- + Many meetings with Canada are ongoing. Canada finalizing Ocean Protection Plan.
- + Tsunami warning contingency plans are being reviewed to incorporate lessons learned

Lower prices, more space drive US soy shippers to East Coast

Bill Mongelluzzo, Senior Editor | Feb 05, 2018 6:24PM EST

Soybean exporters are capitalizing on plentiful vessel capacity and plunging freight rates on all-water services to Asia to route this growing export commodity through East Coast ports.

The surge in containerized soybean exports from East Coast ports, which spells a troubling drop in market share at West Coast ports, ... Los Angeles-Long Beach's dominant market share of US containerized soybean exports dropped to 55.5 percent from 63 percent in 2007. The Northwest Seaport Alliance of Seattle and Tacoma is down to 7 percent market share from 24.7 percent 10 years earlier and Oakland is down to 0.16 percent from 3.5 percent.

U.S. West Coast ports thrive in November 2017

By Mark Edward Nero | Monday, January 29, 2018

Collectively, the five major U.S. West Coast (USWC) container ports – Los Angeles, Long Beach, Oakland, Tacoma, and Seattle -- handled 54,328 more inbound TEUs in November than they did in November 2016 for a year-over-year gain of 5.9 percent, according to newly compiled data released by the Pacific Merchant Shipping Association. The statistics are included in the PMSA's latest monthly West Coast Trade Report, which was released Jan. 26. North of the border, the British Columbia ports of Vancouver and Prince Rupert combined to post a robust 27.9 percent gain of 43,428 TEUs, according to the report, while south of the border, the Mexican ports of Manzanillo and Lazaro Cardenas posted a combined 7.3 percent increase in import traffic, or 24,707 TEUs.

The ports of Tacoma and Seattle continued to underperform in November. Statistics compiled by the Pacific Maritime Association continue to reveal widely divergent experiences at the two ports. At Seattle, PMA figures show a 41.5 percent jump in inbound loaded containers over November 2016, a total of 16,757 TEUs, but a 22.1 percent drop (minus-18,154 TEUs) year-over-year slide at Tacoma.

PMSA'S McLaurin says California Ports and Air Quality Agencies Must Help the Maritime Industry Achieve Zero Emission Goals

By Stas Margaronis, American Journal of Transportation

John McLaurin, president of the Pacific Merchant Shipping Association (PMSA), said the Ports of Los Angeles and Long Beach as well as California air quality regulatory agencies need to rethink mandating zero emissions goals for terminals and trucking companies. The ports and regulatory agencies must work together with maritime industry operators to help fund new zero emission cargo-handling equipment and trucks.

He also said processing environmental impact reports must be speeded up if zero emission investments are to be completed on time. PMSA has offices in California and Washington state. It represents owners and operators of marine terminals and U.S. and foreign vessels operating throughout the world.

Port of Oakland strives to become first port of call from Asia

By Mark Edward Nero, American Shipper

The Port of Oakland is working to become the first port of call for some cargo ships traveling from Asia, Chris Lytle, the port's executive director revealed Tuesday during his annual state of the port speech. Being the first call would drive up the Port of Oakland's import volumes, since the first call in the U.S. is where most imports are discharged, he said.

"Right now, we have about 28 transpacific strings of vessels that call Oakland. All 28 make a first stop in LA or Long Beach – that's not good for us," Lytle told an audience of about 300 during his speech. "We have customers here, import customers, that want to have some of those vessels call Oakland first.

Looking back at 2017, the Port of Oakland [set a cargo volumes record](#), handling the equivalent of 2.42 million TEUs, which broke the previous record of 2.39 million containers set in 2014. Import growth was the key driver for the record performance, the port said, as imports rose 4 percent in 2017 over 2016 totals.

Seattle City Council should butt out of Tacoma's proposed natural-gas depot

The Seattle City Council should mind its own business and stop trying to scuttle an environmentally beneficial maritime project in Tacoma. By [Seattle Times editorial board](#)

The Seattle City Council should abandon a misguided crusade against a Tacoma natural-gas depot proposed by Councilmember Kshama Sawant. Sawant last month proposed a resolution opposing the facility. The full council on Monday wisely paused for further consideration. It should reject the proposal and stay focused on Seattle's long list of challenges. There are legitimate concerns about major new fuel terminals proposed along Washington waterways. Gov. Jay Inslee was right to reject one of these on Monday, an oil-by-rail terminal proposed at the Port of Vancouver on the Columbia River.

But the Tacoma project is something completely different, with environmental benefits that were lauded by Inslee and climate-change activists when it received state support in 2014. Inslee hailed the project in 2014, saying it was "the first time a tax incentive will be tied to concrete carbon-emission reductions," according to a story in [The News Tribune](#). Environmental group Climate Solutions' state director at the time said TOTE's conversion work "should be applauded."

Both the clean-air agency and the Seattle council should avoid pandering to the extreme base seeking to block anything involving fuel, which is counterproductive and slows legitimate efforts to reduce emissions. If anything, Seattle should be supportive of such projects. As a major port city, it should keep its options open for modern energy facilities that support the transition to a cleaner maritime industry.

Fog-related ship delays doubled in 2017 after lawsuit (Galveston News)

The Wharves Board of Trustees, which governs the port, and cruise line operators have voiced concern about ship pilots using fog delays to retaliate against ship operators who complain about ship pilot rates. Officials with the Galveston-Texas City Pilots Associations disagreed with that assessment, saying they're motivated by safety, not retaliation.



Parsing the November 2017 Loaded TEU Numbers

Returns for December are starting to trickle in, and they are mixed. Both inbound and outbound loaded TEU totals at the Port of Los Angeles were down from the same month a year earlier. Next door at the Port of Long Beach, December inbound traffic soared by 27.3% year-over-year, while outbound shipments were up 11.8%. Together, the San Pedro Bay ports posted a healthy 9.8% rise in inbound TEUs but a meager 0.9% increase in outbound TEUs. The Port of Oakland, meanwhile, posted year-over-year increases in both directions as did the Northwest Seaport Alliance. The NWSA and the three big California ports all boasted of having their

Best Year Ever in terms of total TEU volumes (loaded plus empties).

Inbound loaded container traffic in November. November saw the Ports of Los Angeles and Long Beach reassert themselves as the nation's dominant container import terminals. The two San Pedro Bay ports handled 75,241 more loaded inbound TEUs than they had in November 2016, a gain of 10.6% and more than twice the combined increases in inbound loaded TEUs of the principal Atlantic Coast container ports from New York to Miami.

[Continued](#)

Exhibit 1		November 2017 - Inbound Loaded TEUs at Selected Ports				
	Nov 2017	Nov 2016	% Change	Nov 2017 YTD	Nov 2016 YTD	% Change
Los Angeles	463,691	437,050	6.1%	4,330,597	4,150,530	4.3%
Long Beach	319,210	270,610	18.0%	3,517,466	3,170,976	10.9%
Oakland	72,330	73,473	-1.6%	836,741	809,707	3.3%
NWSA	113,451	133,221	-14.8%	1,262,909	1,268,049	-0.4%
NYNJ	285,070	271,755	4.9%	3,119,148	2,935,287	6.3%
Philadelphia*	17,852	19,031	-6.2%	245,429	211,368	16.1%
Maryland	37,698	34,554	9.1%	432,715	386,571	11.0%
Virginia	110,673	101,861	8.7%	1,170,469	1,077,183	8.7%
South Carolina	76,580	73,910	3.6%	874,862	812,521	7.7%
Georgia	144,181	139,732	3.2%	1,727,813	1,527,448	13.1%
Jaxport	22,972	22,532	2.0%	265,574	233,043	14.0%
Port Everglades	30,580	29,133	5.0%	325,732	306,250	6.4%
Miami*	48,008	45,808	4.8%	483,205	482,239	0.2%
New Orleans*	21,261	20,820	2.1%	221,613	239,284	-7.4%
Houston	87,306	79,266	10.1%	982,262	810,441	21.2%
Vancouver	152,686	128,159	19.1%	1,545,997	1,385,790	11.6%
Prince Rupert	46,493	27,592	68.5%	480,400	401,100	19.8%
Manzanillo*	72,762	67,992	7.0%	813,534	733,133	11.0%
Lazaro Cardenas*	40,771	37,812	7.8%	442,368	425,499	4.0%

*Does not distinguish loaded from empty containers.

Source Individual Ports



Parsing the November 2017 Numbers Continued

The import surge through San Pedro Bay was not, however, matched at either the Port of Oakland which fell short of last November's total by 1.6% (-1,143 TEUs), or at the Northwest Seaport Alliance Ports of Seattle and Tacoma which posted a year-over-year decline of 14.8% (-19,770 TEUs).

Collectively, the five major U.S. West Coast (USWC) container ports – Los Angeles, Long Beach, Oakland, Tacoma, and Seattle – handled 54,328 more inbound TEUs in November than they did in November 2016 for a year-over-year gain of 5.9%.

North of the border, Vancouver and Prince Rupert combined to post a robust 27.9% gain (+43,428 TEUs). South of the border, the Ports of Manzanillo and Lazaro Cardenas posted a combined 7.3% increase in import traffic (+24,707 TEUs).

On other coasts, the ports we track posted favorable

year-over-year gains in November. New York/New Jersey recorded a 4.0% (+13,315 TEUs) increase over November 2016. From NYNJ to Port Everglades, the seven Atlantic Coast ports we track that distinguish empty from loaded containers in their containerized trade statistics saw a 34,277 TEU (+5.1%) increase in loaded outbound TEUs over November 2016.

On the export loaded TEU side, things were much less positive. The Big Five USWC ports handled 22,007 fewer outbound loaded TEUs in November than they had a year earlier, a decline of 4.6%. The two San Pedro Bay ports posted a combined 2.0% increase (+6,020 TEUs). But that was more than offset by a 10.3% decline (-8,873 TEUs) at the Port of Oakland and a 20.1% drop (-19,154 TEUs) at the Northwest Seaport Alliance ports.

Meanwhile, the two British Columbia ports saw their outbound trades slip by 2.4% (-6,383 TEUs). Numbers at the East/Gulf Coast ports we track were mixed. The

[Continued](#)

Exhibit 2 November 2017 - Outbound Loaded TEUs at Selected Ports

	Nov 2017	Nov 2016	% Change	Nov 2017 YTD	Nov 2016 YTD	% Change
Los Angeles	177,913	177,360	0.3%	1,747,068	1,653,603	5.7%
Long Beach	126,364	120,897	4.5%	1,333,068	1,406,566	-5.2%
Oakland	77,042	85,915	-10.3%	849,400	869,852	-2.4%
NWSA	76,288	95,442	-20.1%	846,665	897,784	-5.7%
NYNJ	128,760	114,884	12.1%	1,293,368	1,244,555	3.9%
Philadelphia*	23,175	16,434	41.0%	254,734	210,613	20.9%
Maryland	18,631	21,721	-14.2%	220,786	218,876	0.9%
Virginia	87,695	94,159	-6.9%	924,331	919,204	0.6%
South Carolina	63,782	65,099	-2.0%	734,510	686,091	7.1%
Georgia	113,278	107,145	5.7%	1,254,153	1,170,178	7.2%
Jaxport	49,001	36,085	35.8%	389,187	351,451	10.7%
Port Everglades	40,229	36,579	10.0%	402,200	380,422	5.7%
Miami*	45,227	42,973	5.2%	476,644	462,845	3.0%
New Orleans*	22,600	21,918	3.1%	267,837	247,685	8.1%
Houston	74,791	73,501	1.8%	881,317	844,492	4.4%
Vancouver	89,949	96,332	-6.6%	1,003,395	1,006,623	-0.3%
Prince Rupert	17,284	13,548	27.6%	151,772	152,193	-0.3%
Manzanillo*	77,535	65,183	18.9%	808,441	712,447	13.5%
Lazaro Cardenas*	34,247	29,621	15.6%	345,174	346,286	-0.3%

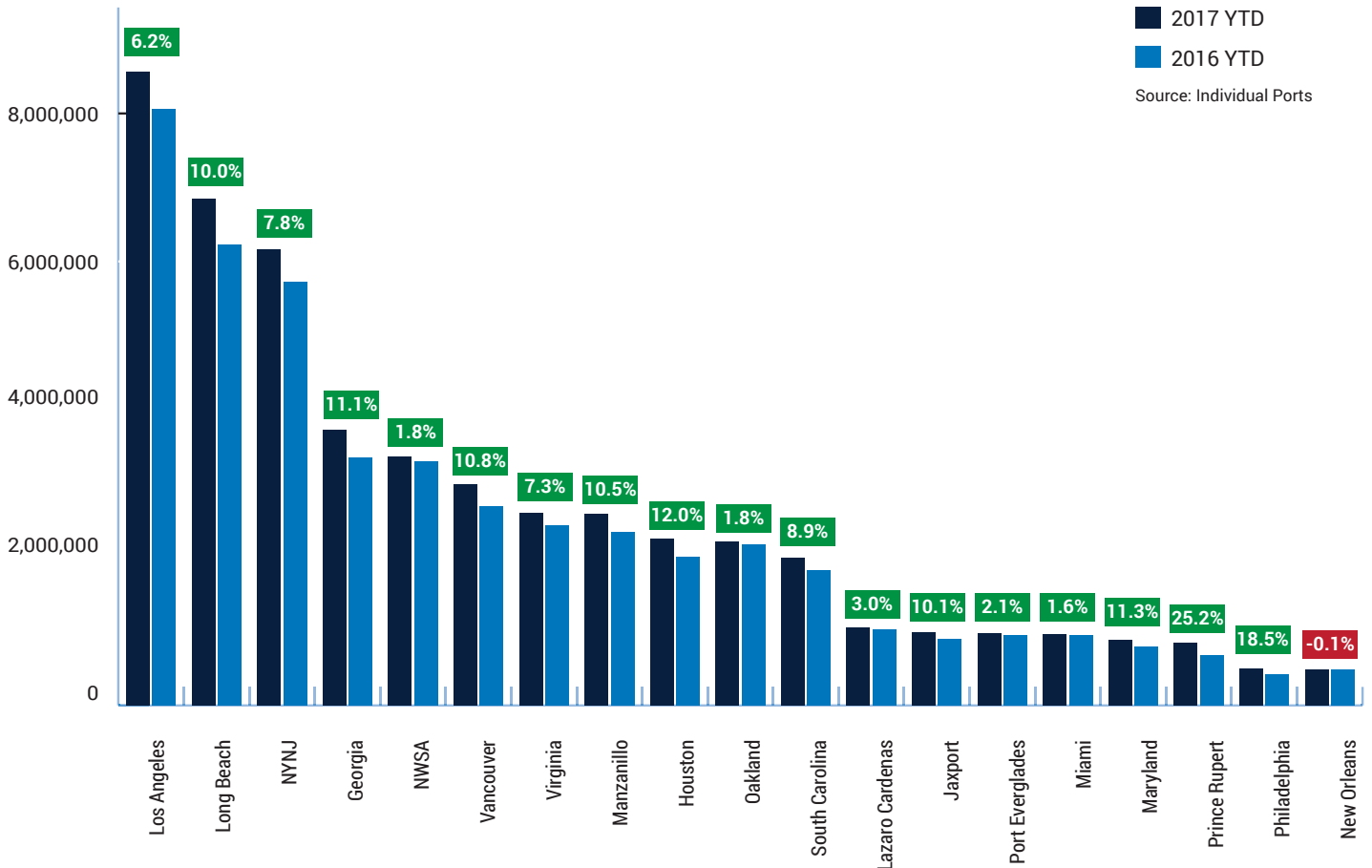
*Does not distinguish loaded from empty containers.

Source Individual Ports



Parsing the November 2017 Numbers *Continued*

Exhibit 3 November Year-to-Date Total TEUs (Loaded and Empty) Handled at Selected Ports



Port of New York/New Jersey posted an impressive 12.1% gain (+13,876 TEUs) bump in loaded exports in November. The three major Florida ports (Jaxport, Miami, and Port Everglades) recorded a combined 16.3% growth in outbound loaded trade (+18,820 TEUs). By contrast, outbound container shipments were off at Maryland, South Carolina, and Georgia.

Looking at U.S. Commerce Department value and weight trade statistics, USWC ports recorded a 4.3% year-over-year rise in containerized import tonnage in November, while all other mainland ports saw only a slight 0.6% rise. As a result, the USWC share of mainland U.S. containerized

import tonnage rose to 42.0%, up from a 38.2% share in October and from a 40.6% share in November 2016. At the San Pedro Bay Ports of Los Angeles and Long Beach, the share of U.S. mainland containerized import tonnage in November was 32.0%, markedly higher than 28.4% in October and from 29.6% a year earlier.

By declared value of containerized imports at U.S. mainland ports, USWC ports held a 50.4% share in November, up from 48.1% in October and from a 49.7% share in November of 2016. At the Ports of Los Angeles and Long Beach, the combined share of the value of mainland U.S. containerized imports in November was

Continued



Parsing the November 2017 Numbers *Continued*

39.8%, up from 37.4% in October and from 38.5% the previous November.

By declared weight of containerized exports, USWC ports saw a marked rebound from the previous month as their collective share in November stood at 36.0%, up from 33.9% in October, down sharply from 36.3% a month earlier and but nonetheless still down from 43.1% share in November 2016. The San Pedro Bay ports saw their November share recover to 22.0% from 19.7% in October but remain below the 25.7% share a year earlier.

By declared value, USWC ports held a 33.6% share of containerized shipments from mainland ports in November, up from 32.3% in October but down from 36.2% a year earlier. The Los Angeles/Long Beach port complex saw its share of the value of containerized exports from mainland ports recover somewhat to 22.0% from 21.1% in October and but still below the two ports' 23.6% share a year earlier.

The Transpacific Trade. Now looking solely at U.S. containerized trade with the economies of East Asia, USWC ports' share of the declared weight of the contents of containerized imports arriving at mainland ports from East Asia rebounded strongly in November to 62.3%, up sharply from 55.8% in October and even ahead of the 60.8% share recorded in November 2016. The increased shares came despite negative year-over-year showings at the Northwest Seaport Alliance ports and the Port of Oakland, where containerized import tonnage dropped by 9.2% and 4.7%, respectively. Importantly, the Ports of Long Beach and Los Angeles saw their combined share of containerized import tonnage from East Asia in November jump back to 50.2% from 43.8% in October and from 46.8% in November 2016. In dollar-value terms, USWC ports likewise saw their share of containerized imports from East Asia trade jump to 70.5% from 65.8% in October and from 69.6% in November 2016. The Ports of Los Angeles and Long Beach together held a 56.7% share of containerized imports by dollar-value, up from 51.9% in October and ahead of 54.8% in November 2016.

For containerized exports to East Asia from mainland ports, USWC containerized tonnage fell by 3.1% from November 2016. As a result, the USWC share stood at 54.8% in November, up a smidge from 54.7% in October but still well below the 62.1% share in November 2016. Containerized

export tonnage to East Asia from the San Pedro Bay ports slipped by 0.2% from November 2016. At the Port of Oakland, the year-over-year decline was 10.9%, slightly better than the 9.7% fall-off at Tacoma. Seattle, meanwhile, showed a 10.2% increase. On a value basis, the USWC share of containerized exports to East Asia in November edged up to 63.6% from 63.3% in October but remained well below the 68.3% share that they held a year earlier.

Worldwide Destinations and Origins. Weight-wise, while China is by far the leading destination of USWC containerized exports with a 29.5% share, trade was down 15.0% from November 2016. Export tonnage to Japan also slipped by 2.9%. Shipments to South Korea rose by 5.0% but fell by 8.9% to Taiwan. On the positive side, exports soared to Vietnam (+55.5%); Indonesia (+19.4%); Thailand (+31.7%); and Australia (+11.5%).

China not surprisingly dominated the containerized import trade via USWC ports with a 55.1% share in November, down slightly from its 55.4% share in November 2016. Japan accounted for 5.8% of import tonnage, up significantly from its 4.6% share a year earlier. Trailing behind were Vietnam (4.9%, up from 4.0%), Taiwan (4.4% up from 4.3%), and South Korea (4.6% up from 4.4%).

NWSA Woes. The Northwest Seaport Alliance Ports of Tacoma and Seattle continued to underperform in November. Statistics compiled by the Pacific Maritime Association continue to reveal widely divergent experiences at the two ports. At Seattle, PMA figures show a 41.5% (+16,757 TEUs) jump in inbound loaded containers over November 2016 but a 22.1% drop (-18,154 TEUs) year-over-year slide at Tacoma. Likewise, Seattle's outbound trade was up 19.4% (+7,241 TEUs) while Tacoma was down 8.2% (-5,471 TEUs).

U.S. foreign trade statistics reveal a similar dichotomy in terms of the declared weight of foreign shipments moving through the two ports. Seattle's containerized imports were up 31.1% over November 2016, while its containerized export tonnage rose 6.1%. Tacoma, meanwhile, handled 23.5% less import tonnage than it had a year earlier and 5.8% less export tonnage. Container traffic at Tacoma began a pattern of year-over-year declines in both imports and exports last May.



Jock O’Connell’s Commentary: Best Years Ever? Let’s see about that.

January has brought the belated clamor of trumpets from California port officials proclaiming 2017 as their “Best Year Ever”. Down in San Pedro Bay, the neighboring Ports of Los Angeles and Long Beach each boasted of handling record high numbers of TEUs last year. Same for the Port of Oakland. And, while the recently forged Northwest Seaport Alliance did achieve a new high of 3.67 million TEUs as a joint enterprise, the Ports of Seattle and Tacoma actually handled more containers (4.15 million TEUs) in 2005 when they operated independently.

“In 2017, the Port of Los Angeles moved just over 9.3 million twenty-foot equivalent units, which broke our own record, set just last year, for the largest amount of cargo moved in the history of the Western Hemisphere,” Executive Director Gene Seroka announced at a January 10 State of the Port luncheon speech.

Over at the neighboring Port of Long Beach, port chief Mario Cordero declared that the port had “finished its busiest year in our 107-year history” with a through-put of over 7.54 million TEUs.

Maritime industry curmudgeons will naturally respond by pointing out, as **Exhibits 4** reminds us, that the huge

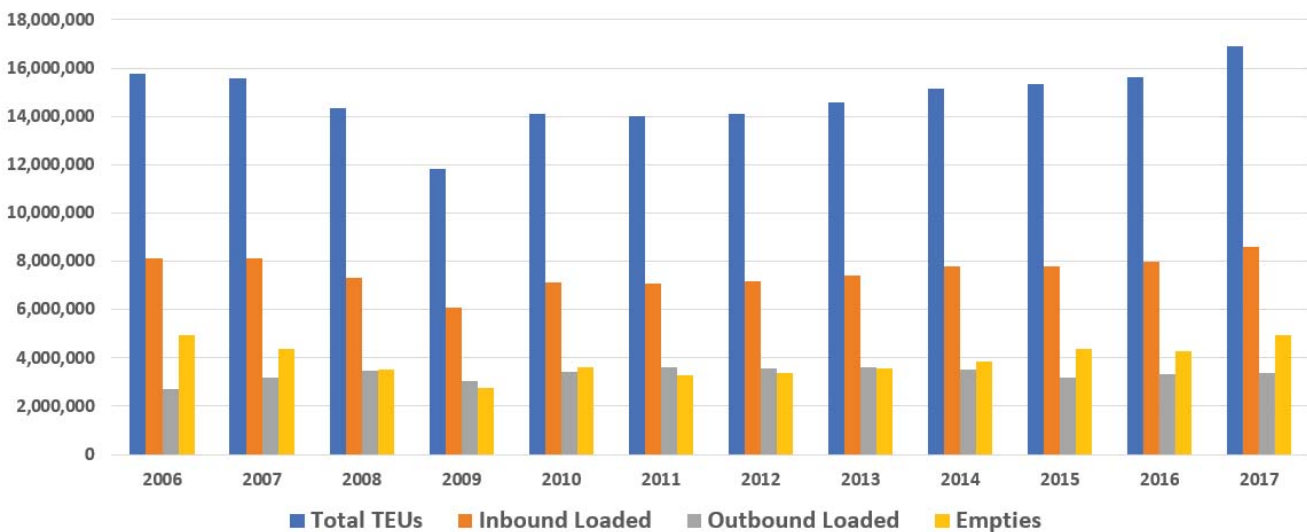
Southern California ports are only now exceeding the levels of container traffic they saw a decade earlier, before the Great Recession sent maritime trade (not to mention my retirement portfolio) reeling.

There is no denying the cogency of the complaint, even though the ports did handle some 1.26 million more TEUs last year than in the previous year. As a single maritime gateway, the two San Pedro Bay ports saw their combined TEU through-put crest in 2006 at 15.76 TEUs before plummeting 25% to 11.82 TEUs in 2009. Volumes bounced back briskly the next year, but growth then remained uninspiring for the next couple of years. And then any prospects for a robust jump in container volumes ran afoul of a labor-management dispute that slowed traffic through all U.S. West Coast ports from the Fall of 2014 through the following Spring. Since then, though, TEU numbers have increased steadily...but not, as we shall see below, in every respect. If anything, the celebratory focus lavished on the total number of TEUs handled in 2017 diverts attention from some other numbers that are far less flattering.

For one thing, the San Pedro Bay ports have not been operating in a vacuum the past several years. Nearly

Continued

Exhibit 4 Container Traffic at the San Pedro Bay Ports: 2006-2017





Best Years Ever? Continued

every other major U.S. container port was much quicker to rebound from the recession. New York/New Jersey eclipsed its pre-recession high in 2011. Savannah bounced back even earlier in 2010. Although the Port of Charleston did not do so until 2016, Virginia recovered its former volumes in 2013, while Houston maintained a remarkable string of uninterrupted annual increases in TEU volumes throughout the recession.

Not surprisingly, the San Pedro Bay ports, while now handling more containers than ever before, have seen their share of America's maritime container trade gradually diminish as their East and Gulf Coast rivals grabbed off a growing portion of the nation's maritime trade with East Asia.

This is not how things were supposed to be.

In a forecast published in December 2007, the base-case scenario for the Ports of Los Angeles and Long Beach expected TEU volumes growing from 15.8 million TEUs in 2006 to approximately 31.04 million TEUs by 2017. Clearly, that estimate badly missed the mark. But then virtually no one anticipated either the abrupt onset of the recession, or its severity, or its global reach. (In what's probably the most astonishing example of forecasting ineptitude from that period, Fitch, one of the three major bond rating services, gave Lehman Brothers a thumbs-up just three days before the financial giant imploded into the largest single bankruptcy in American history on September 15, 2008 and triggered the worst global economic crisis since the 1930s.)

The recession sent the ports' forecasters back to the drawing board to produce a revised bit of guesswork that was published in July 2009, when the global economic downturn was just hitting bottom. The update was prescient in one important respect: "Recovery will be slow, without the sharp rebound that has characterized some previous recessions." Still, the revised outlook expected the two ports to regain their previous peaks of container trade in "about 2013" and that 2017 would see the ports handling some 18.88 million TEUs. In the end, 16.89 million TEUs passed through the two ports last year.

Reality, often in the form of black swans, has a way of upsetting the best-laid forecasts. The updated forecast,

for example, could not have foreseen the setback of a coastwide labor dispute that sullied the ports' reputations as reliable conduits for maritime trade and doubtless led numerous shippers to take their business to other maritime gateways in the U.S. and Canada.

But the report also underestimated the impact of another development then on the horizon, if dimly. Perhaps it was sheer serendipity, but in the same year the two San Pedro Bay ports jointly reached the apex of their pre-recession growth, the citizens of Panama voted overwhelmingly in a national referendum to authorize construction of a new set of locks that could accommodate vessels with triple the container capacity of those Panamax ships then squeezing through the existing, nearly century-old locks. That development did not factor much in the ports' revised forecast. Indeed, other than a brief episode of political hysteria in Southern California ("Beat the Canal"), the initial consensus among trade economists was that the new locks would have a relatively minor net impact on container traffic at the San Pedro Bay ports. The possibility that a substantial volume of imported goods might be diverted through the expanded canal to East and Gulf Coast ports tended to be dismissed. As one analyst cavalierly argued: "Goods that will go to East and Gulf Coast ports through the new canal are already going there through the old canal."

That assessment proved more comforting than accurate in terms of market share as shipping lines responded to the opening of the Bigger Ditch through Panama by accelerating the deployment of vessels able to carry upwards of 14,000 TEUs to Atlantic and Gulf Coast ports that had spent mightily to ready themselves for unprecedented volumes of maritime trade.

To be sure, one important reason transpacific container traffic has been increasingly shifting toward ports from Maryland to Houston is that the states that constituted much of the Confederacy have seen higher than average rates of population and industrial growth. Militantly resistant to unions and excessive local regulation and taxes, they have become meccas for investment in manufacturing, most notably in the automotive and aerospace sectors. So, it should shock no one that that shippers would seek out ports nearer these markets,

Continued



Best Years Ever? *Continued*

especially if enabled by a broader path through Panama.

Still, there is more to competitiveness than tallying up the total containers handled each year. In fact, a closer look at the San Pedro Bay numbers reveals a brace of disturbing concerns. First, with respect to imports, the two ports have not been keeping pace with local growth. Second, as the ports featuring the largest number of sailings to East Asia, the San Pedro Bay ports have been unable to sustain a consistently strong export trade.

Remarkably, until 2017, the total number of inbound loaded TEUs entering the two ports never exceeded the 2006 record of 8,127,865 TEUs. Even the new high in 2017 was only 5.6% higher than the number of inbound loaded TEUs handled in 2006. That is especially noteworthy because, despite a severe recession, the Southern California region immediately served by the two ports was hardly in stasis.

From 2006 through 2017, the population of the four-county region surrounding the ports increased by 7.7% to 17,980,341, according to the Demographic Research Unit of the California Department of Finance. Over the same period, data from the U.S. Bureau of Economic Analysis

show that real (i.e., inflation-adjusted) Gross Domestic Product for the Los Angeles-Long Beach-Anaheim metro area rose by about 17.5%. The adjoining Riverside-San Bernardino-Ontario metro area meanwhile saw its real GDP rise by 16.2%. In other words, the pace of growth in inbound containerized goods through the Ports of Los Angeles and Long Beach failed to keep pace with the economic growth of the ports' immediate service area.

On the export side, the story is even more disappointing. The 3.37 million loaded outbound TEUs in 2017 were not only below the pre-recession high set in 2006 but were also less than the ports handled in every year from 2010 through 2014. So, although the value of U.S. merchandise exports has increased in real terms by 43.1% since 2006, you wouldn't know it by looking at the statistics of the Ports of Los Angeles and Long Beach.

Jock's comments are his own and do not necessarily represent the views of PMSA.

Miscellaneous Observations on Maritime Trade

Curious impact of China's Get-Clean restrictions on recyclable imports. Chinese restrictions on imports of scrap paper, metals, plastics, and other recyclables are more than just gnawing away at the back-haul trade from West Coast seaports. Shipments of scrap paper (HS 4707) should be of foremost concern because this low-value commodity had been filling so many containers being back-hauled to the People's Republic in recent years. While the new restrictions do not officially kick in until this March, containerized HS 4707 exports to China began to drop last fall and in November were down 93,393 metric tons or 30.1% from the same month a year earlier. In the twelve months preceding the announcement of import restrictions last year, HS 4707 accounted for an average

42.7% of containerized export tonnage from USWC ports to China.

Rather less consequential in terms of the impact on container volumes are the Chinese policies aimed at improving the quality of recyclable plastic imports. Shipments of HS 3915 (Waste, Parings, and Scrap of Plastics) from USWC ports to China were down 72.6% in November from a year earlier. In the twelve months prior to the announcement of new quality standards on imported recyclables, plastic scrap accounted for an average of 2.7% of the containerized export tonnage from USWC ports to China. However, contrary to what has lately been reported in the MSM and the generally but not always better-informed

Continued



Miscellaneous Observations *Continued*

trade press, not all seems lost. While China may be raising its standards for various waste product imports, others are not. And not necessarily because their own industrial needs demand it. Rather, it seems what we have here could just be a case of someone in, say, Haiphong or Kaohsiung possibly knowing someone in, say, Hong Kong who conceivably may know someone in, say, Guangzhou or Ningbo. So perhaps that helps explain why November USWC exports of scrap paper to Vietnam leapt by 1130.4% (+36,232 metric tons) over the same month a year earlier, while shipments to Taiwan were up 342.1% (+31,878 metric tons). HS 4707 exports from USWC ports also surged to Indonesia and India in November, with tonnage up 256.2% (+10,020 metric tons) and 308.1% (+7,744 metric tons), respectively. So, at least as 2017 drew near to a close, a largely opportunistic trade is mightily helping offset the lost scrap paper exports to China. It will be interesting to see how long the buoyant gray-market trade persists.

Yes, we [may soon] have no bananas. In 2016, the USWCS ports (mostly Port Hueneme and San Diego) handled 1,196,470 metric tons of imported bananas (HS 080390). Through November of 2017, the volume was running 4.8% ahead of 2016. Nationally, banana imports represent slightly more than 2.0% of all containerized imports by declared weight. Along the West Coast, they account for closer to 1.4% of containerized imports.

But it's a trade at risk. The Cavendish, by far the most popular variety of banana in the United States, is threatened by extinction. Plant scientists have yet to devise a response to a soil-borne fungus that has been decimating banana plantations in Asia and Australia and has been making inroads in Africa and the Middle East. The great fear is that if the fungus reaches Central America and the Caribbean, where some 85% of the world's bananas are sourced, America's favorite breakfast fruits could be wiped out. Guatemala (39.6%), Ecuador (32.3%), and Mexico (17.6%) supply nearly 90% of the bananas imported through USWC ports through the first eleven months of 2017.

While it's a bit premature to rush out to buy the greenest bananas at the corner store, it's worth saying a prayer that the plant genetics people come up with a solution soon.

Washing machines. In November, the U.S. International Trade Commission recommended that the Trump administration impose tariffs bigly on imported washing machines after anti-dumping complaints were filed by Whirlpool Corp. On January 23, President Trump acted on the recommendation by imposing a 20% tariff on the first 1.2 million washing machines imported each year, with a 50% on additional imports.

Earlier this month, *The Wall Street Journal* reported that ships brought 9,063 containers loaded with residential washers to U.S. ports in November, more than double the previous year's volume. Census Bureau trade statistics do show that U.S. ports saw a 58.5% year-over-year surge in containerized washing machine imports (by declared weight). At USWC ports, imports in November were up 75.6% over the same month a year earlier.

There has been an intriguing development regarding the trade in imported washing machines that we plan to explore in next month's newsletter. For now, though, the point we wish to raise is this: In the fetid atmosphere of trade policy politics today, news about trade in a specific commodity can quickly become distorted. For example, we have seen and heard comments from parties less astute than *WSJ* reporters suggesting that washing machine importers seeking to avoid threatened tariffs had been the main drivers behind a late-year surge in overall U.S. container imports. Not even close. While washing machine imports have certainly been up, they play a fairly minor role in America's containerized import trade. By weight, washing machines rank as the 123rd largest containerized import via U.S. ports, with a share of the nation's total containerized import trade that climbed all the way from 0.2% in November 2016 to 0.3% this past November. That's not going to move many numbers.



Comprehensive Washington State Pilotage Study Delivered to Legislature

By Captain Michael Moore
Vice President, Pacific Merchant Shipping Association

On January 18th, a study was published for the Washington State Joint Transportation Committee on pilotage. The study was in response to a \$6.1 million dollar gender discrimination settlement involving a female Puget Sound pilot trainee. As a result of the lawsuit settlement, the Legislature last year appropriated \$200,000 to pay for an independent study of pilot diversity and best practices for tariff and fee setting. The study offers recommendations for improving diversity within marine pilotage and for improving pilot oversight and tariff and fee rate-setting.

Overview

As noted in the report, “Marine pilots’ primary objective is to facilitate the safe movement of vessels into and out of ports situated in coastal and inland water bodies.” Pilotage in Puget Sound is mandated and operated as a monopoly through a state licensing program under the oversight of the Washington State Board of Pilotage Commissioners. In 2016, 52 Puget Sound Pilots generated more than \$34 million in tariff and fee revenues.

Key Findings and Challenges of the Report

Consultants retained by the Joint Transportation Committee identified the following issues:

Lack of Diversity

- The report states that there is a lack of formal data collection on gender and ethnic diversity for pilots, concluding that “What little information exists is anecdotal at best. This is both a local and national problem.” Lack of data makes the Board of Pilot Commissioners “ill equipped to establish a baseline” or to “track progress on improving diversity.”
- The report noted past “subjectivity and bias in training and evaluation is a potential challenge to overcome” with respect to pilot trainees.
- The report noted that the lack of diversity is “endemic” in the maritime industry and a problem across all pilotage districts in the United States – and a problem that is “...beyond the scope and capabilities of any one agency or organization” and called for a “more holistic

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The Northwest Seaport Alliance



Comprehensive Washington State Pilotage Study *Continued*

approach, leveraging the resources and expertise of government and the private sector.”

Tariff and Fee Rate-Setting Is Contentious and Lacks Methodological Structure

- Washington state law currently requires that the Board of Pilot Commissioners “annually fix the tariffs for pilotage services.” The report noted that an annual rate hearing results in ongoing advocacy for rate adjustments that is a distraction and limits discussion on other important issues such as safety.
- The report noted that the current rate-setting process in Puget Sound lacks established and agreed-upon methodology, lack of consistency, clarity, and timeliness in the submission of data to make informed rate adjustment decisions. It further observed that the Board of Pilot Commissioners does not have enough staff to provide objective analysis.
- The report recommended the use of a public utility commission (PUC) process for setting rates, noting that the benefits “of a PUC model include a clearly defined, transparent, rigorous, and enforceable timeline and process.”
- The report also observed that the membership of the Board of Pilot Commission includes pilots, industry representatives and public members. The report found that pilot and industry representatives “often vote in their own self-interest, leaving the remaining Commissioners to cast deciding votes” – who, while they “represent the public and environmental considerations, may not have relevant financial expertise.”

Recommendations

The report offered a number of recommendations for consideration by the Washington State Legislature and Board of Pilot Commissioners.

The recommendations included:

- Develop a voluntary data collection protocol to track gender and ethnicity among pilot exam applicants, trainees and licensed pilots.
- Expand and continue to improve upon efforts to minimize subjectivity and eliminate bias in the pilot application, training and licensing process.
- Establish a statewide Task Force on Maritime Sector Workforce Development with a specific focus on increasing diversity.
- Transfer rate-setting authority to the Washington Public Utilities and Transportation Commission (UTC) to provide structure, rules, expertise, and rigor necessary to achieve an analytically driven rate setting process. According to the report, “This is the single most effective action the Legislature can take to improve rate-setting in Washington state...”
- As an alternative to the UTC setting rates, rate-setting only would occur “at the request of stakeholders (eliminating the annual review requirement) and “establish an evidentiary, petition-based process for tariff and fee rate-setting...” The goal would be to have rate hearings that “reflect economic necessity rather than arbitrary guidelines” and hiring a staff analyst or economist to administer an evidentiary-based process that would include data analysis.

While a bill has been introduced to shift rate-setting over to the UTC, it is uncertain at this point what final action the Washington State Legislature will take with regard to the findings and conclusions of this report. The Board of Pilot Commissioners has already made some positive changes and improvements with regard to diversity. The report provides a good basis for additional reform of the pilotage system – providing for greater diversity, oversight, and transparency.

Interested in membership in PMSA?

Contact Laura Germany for details at: lgermany@pmsaship.com or 510-987-5000.

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