State of Washington
Pilotage Commission
September 15, 2022

Grays Harbor District Report

There were 6 arrivals in July for a total of 16 jobs. Year to date through August there have been 38 arrivals for a total of 103 jobs. There are 4 vessels scheduled for September: 3 dry bulk and 1 liquid bulk.

Dredging

The Port will be calling for bids to conduct Terminal Maintenance Dredging for the dredge window coming up in the Winter of 2023. A condition survey will be completed in November 2022.

The estimated volumes for this contract are:

- Terminal 1 – 5,000 cubic yards
- Terminal 2 – 30,000 cubic yards
- Terminal 3 – 10,000 cubic yards
- Terminal 4 – 10,000 cubic yards

Pilot Trainees

Pilot Trainee Captain Leo has begun the final Evaluation Phase in his training program but has also been taking training rides in Puget Sound in between vessels here in Grays Harbor.

Pilot Trainee Captain Colby Grobschmit continues to progress in the training program with 32 trips already. He has completed the Initial Familiarization/Observation Section and the Initial Route Section and is now in the Core Program Section of the Observation Phase.

Both Captain Leo and Captain Grobschmit completed and passed the first exam (Local Knowledge/Route Description) of the three federal pilotage exams at the Portland Regional Exam Center.

PMSA

West Coast Trade Report

August 2022

July's TEU Tallies: What We Know So Far

Reports of container traffic in July have been highly mixed. The National Retail Federation's Global Port Tracker expected a 3.2% year-over-year increase in inbound loads at the 13 U.S. port it monitors, while the eponymous McCown Report has the nation's ten largest ports posting a mere 0.7% gain over last July. We know that inbound loads dipped by 5.1% at the five major U.S. West Coast ports, but several ports elsewhere – notably New York/New Jersey – have not posted their July tallies yet.

At the Northwest Seaport Alliance **Ports of Tacoma and Seattle**, import loads (88,502 TEUs) plummeted in July by 21.9% from a month earlier and by 30.4% from a year earlier. Export loads (40,697 TEUs) fell by 21.7% from June and by 16.8% from July 2021. Total container traffic YTD at the two ports (2,067,304 TEUs) was down 5.6% from a year earlier. In a press release, NWSA officials attributed the falloffs in volume to "reduced vessel calls—resulting from vessel delays at other ports and ongoing service suspensions".

July's container numbers at the **Port of Oakland** were simply but understandably dreadful. A nearly week-long protest by truckers at the port took a huge bite out of July's container traffic. Inbound loads (69,463 TEUs) in July were down by 27.3% from June and by 26.7% from a year earlier, while outbound loads (47,166 TEUs) were off 30.9% from the previous month and by 30.8% year-over-year. July saw the San Francisco Bay Area port handle the smallest number of loaded and empty TEUs since February 2015. YTD, total container traffic at the port (1,391,153 TEUs) was down 8.1% from last year. Port leaders estimate it could take a month before port traffic at Oakland recovers from the disruption caused by the trucker protest.

Photo courtesy of Northwest Seaport Alliance

The **Port of Long Beach** reported it had its "busiest July on record despite a cooldown in consumer spending". That may be so, but the 785,843 laden plus empty TEUs the port handled in July was also the lowest number of TEUs processed through the port in any month this calendar year. Import loads (376,175 TEUs) were down 9.5% from June and by 1.8% from a year earlier. Outbound loads in July (109,411 TEUs) were likewise down from June by 5.1% and by 0.5% from July 2021. The last month in which outbound loads were less than July's total was April 2020, the abyss of the COVID catastrophe. YTD, Long Beach has handled 5,793,621 TEUs, up 4.6% over the first seven months of last year.

The situation was more salubrious at the other Southern California gateway. July inbound loads (485,452 TEUs) at the **Port of Los Angeles** were up 9.2% from June and 3.4% year-over-year. Outbound loads (103,899 TEUs) jumped 13.7% from July 2021. Still, YTD the port saw its total container traffic increase by just 0.5% to 6,349,326 TEUs.

Collectively, the two San Pedro Bay ports handled 1.1% more inbound loads (861,627 TEUs) in July than a year earlier, while outbound loads (213,310 TEUs) were up 5.9% from July 2021. Combining laden and empty containers, the neighboring ports have handled 12,141,947 TEUs so far this year, a 2.4% bump over last year.

Up in British Columbia, the numbers were rather happier. The **Port of Vancouver** posted a 12.5% gain in inbound loads (155,914 TEUs) over last July. Still, inbound loads were down 3.1% YTD. Outbound loads (55,573 TEUs)

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July's TEU Tallies Continued

dipped by 7.8% from a year earlier. YTD, outbound loads were down 28.3% from last year. Total container traffic YTD through Canada's largest seaport (2,109,078 TEUs) was down 4.6% from the first seven months of 2021.

Inbound loads (149,829 TEUs) at the **Port of Virginia** rose by 4.9% year-over-year, while outbound loads (85,170 TEUs) were up by 5.1%. Through July, total container traffic through the port amounted to 2,171,714 TEUs, 10.0% above last year's volume at this point.

The **Port of Savannah** reported a 10.5% y/y gain in inbound loads in July to 251,761 TEUs. That was also a 6.5% improvement over June. YTD, inbound loads at the Georgia gateway (1,671,276 TEUs) are running 5.0% ahead of last year. Outbound loads (122,928 TEUs) were up 3.2% y/y but more importantly established Savannah ***as the nation's premier container export terminal in July***. Total container traffic through the port YTD amounted to 3,421,892, an increase of 7.3% over this point last year.

Number of the Month

49%

The "All Terminals" Average Appointment Success Rate in the Port of LA, meaning more than half of appointments are going empty.

https://volumes.portoptimizer.com

For the Record: The Complete June TEU Numbers

Exhibit 1 displays the complete inbound loaded TEU traffic numbers for June 2022 at the twenty North American ports from which provide comparable and up-to-date container trade statistics. Remarkably but unsurprisingly, USWC ports eked out a 1.8% y/y gain in inbound loads, while USEC ports posted a 7.5% gain. As a result, just 1,148 more inbound loaded TEUs entered USWC ports in June than arrived at USEC ports. Apart from that, probably the most interesting item here is that the Port of New York/New Jersey (PNYNJ) came within 3,876 TEUs from topping the Port of Los Angeles for the lead in inbound loads. A year ago, LA's margin over PNYNJ was 80,992 TEUs. The second most interesting item in the exhibit is that inbound loads at the Port of Charleston in June were down 14.7% from the same month a year earlier. Not revealed in the exhibit is that inbound loads at Charleston in June had plummeted by 28.7% from May and by 34.4% from April. Still, a July 12 press release from South Carolina Ports claimed that the Wando Welch, North Charleston, and Leatherman Terminals were "maintaining fluidity for customers and the Southeast supply chain".

Exhibit 2 presents data on outbound loaded TEUs in June. The proliferation of minus signs (or red ink) paints a disappointing picture. USEC ports continue to dominate the nation's container export business, handling 163,084 more loaded TEUs than their USWC rivals. The Port of Savannah regained the top ranking in export loads from the Port of LA, which had wrested the lead away from

Exhibit 1 June 2022 - Inbound Loaded TEUs at Selected Ports

	Jun 2022	Jun 2021	% Change	Jun 2020	% Change	Jun 2022 YTD	Jun 2021 YTD	% Change	Jun 2020 YTD	% Change
Los Angeles	444,680	467,763	-4.9%	369,189	20.4%	2,747,786	2,834,212	-3.0%	1,950,634	40.9%
Long Beach	415,677	357,101	16.4%	300,714	38.2%	2,460,406	2,315,171	6.3%	1,659,967	48.2%
San Pedro Bay Total	**860,357**	**824,864**	**4.3%**	**669,903**	**28.4%**	**5,208,192**	**5,149,383**	**1.1%**	**3,610,601**	**44.2%**
Oakland	95,530	95,060	0.5%	82,464	15.8%	542,039	544,642	-0.5%	454,362	19.3%
NWSA	113,295	133,904	-15.4%	104,115	8.8%	698,296	750,105	-6.9%	565,809	23.4%
Hueneme	12,840	7,876	63.0%	2,431	428.2%	70,310	44,642	57.5%	23,125	204.0%
San Diego	5,812	6,386	-9.0%	5,764	0.8%	39,536	40,336	-2.0%	38,549	2.6%
USWC Total	**1,087,834**	**1,068,090**	**1.8%**	**864,677**	**25.8%**	**6,558,373**	**6,529,108**	**0.4%**	**4,692,446**	**39.8%**
Boston	8,168	9,014	-9.4%	8,923	-8.5%	32,278	54,759	-41.1%	67,258	-52.0%
NYNJ	440,804	386,771	14.0%	264,054	66.9%	2,509,173	2,241,180	12.0%	1,708,731	46.8%
Maryland	50,972	46,319	10.0%	36,936	38.0%	256,059	257,948	-0.7%	242,595	5.5%
Virginia	152,496	138,737	9.9%	95,502	59.7%	882,047	792,724	11.3%	589,053	49.7%
South Carolina	90,090	105,668	-14.7%	69,775	29.1%	726,106	609,016	19.2%	480,608	51.1%
Georgia	236,481	219,840	7.6%	161,363	46.6%	1,419,515	1,363,723	4.1%	988,575	43.6%
Jaxport	27,291	26,805	1.8%	24,555	11.1%	154,109	170,703	-9.7%	147,132	4.7%
Port Everglades	34,742	30,910	12.4%	19,235	80.6%	204,743	178,419	14.8%	145,871	40.4%
Miami	45,642	46,733	-2.3%	29,609	54.1%	268,598	279,114	-3.8%	194,878	37.8%
USEC Total	**1,086,686**	**1,010,797**	**7.5%**	**709,952**	**53.1%**	**6,452,628**	**5,947,586**	**8.5%**	**4,564,701**	**41.4%**
New Orleans	8,758	11,793	-25.7%	10,408	-15.9%	56,767	64,892	-12.5%	69,664	-18.5%
Houston	157,778	139,488	13.1%	86,903	81.6%	916,628	749,446	22.3%	569,718	60.9%
USGC	**166,536**	**151,281**	**10.1%**	**97,311**	**71.1%**	**973,395**	**814,338**	**19.5%**	**639,382**	**52.2%**
Vancouver	167,982	151,075	11.2%	139,965	20.0%	947,222	983,258	-3.7%	790,304	19.9%
Prince Rupert	45,056	28,025	60.8%	48,361	-6.8%	271,802	250,087	8.7%	272,251	-0.2%
British Columbia Total	**213,038**	**179,100**	**18.9%**	**188,326**	**13.1%**	**1,219,024**	**1,233,345**	**-1.2%**	**1,062,555**	**14.7%**
US/BC Total	2,554,094	2,409,268	**6.0%**	1,860,266	**37.3%**	15,203,420	14,524,377	**4.7%**	10,959,084	**38.7%**
US Total	2,341,056	2,230,168	**5.0%**	1,671,940	**40.0%**	13,984,396	13,291,032	**5.2%**	9,896,529	**41.3%**
USWC/BC Total	1,300,872	1,247,190	**4.3%**	1,053,003	**23.5%**	7,777,397	7,762,453	**0.2%**	5,755,001	**35.1%**

Source Individual Ports

Exhibit 2 June 2022 - Outbound Loaded TEUs at Selected Ports

	Jun 2022	Jun 2021	% Change	Jun 2020	% Change	Jun 2022 YTD	Jun 2021 YTD	% Change	Jun 2020 YTD	% Change
Los Angeles	93,890	96,067	-2.3%	109,586	-14.3%	626,831	663,836	-5.6%	748,110	-16.2%
Long Beach	115,303	116,947	-1.4%	117,538	-1.9%	710,593	751,741	-5.5%	734,221	-3.2%
San Pedro Bay Totals	**209,193**	**213,014**	-1.8%	**227,124**	-7.9%	**1,337,424**	**1,415,577**	-5.5%	**1,482,331**	-9.8%
Oakland	68,227	71,192	-4.2%	70,638	-3.4%	403,044	459,049	-12.2%	462,516	-12.9%
NWSA	51,964	56,976	-8.8%	70,431	-26.2%	281,920	371,851	-24.2%	411,339	-31.5%
Hueneme	3,350	1,968	**70.2%**	607	**451.9%**	20,354	11,184	**82.0%**	5,776	**252.4%**
San Diego	788	330	**138.8%**	250	**215.2%**	6,041	3,007	**100.9%**	1,672	**261.3%**
USWC Totals	**333,522**	**343,480**	-2.9%	**369,050**	-9.6%	**2,048,783**	**2,260,668**	-9.4%	**2,363,634**	-13.3%
Boston	3,420	5,833	-41.4%	5,114	-33.1%	15,682	37,817	-58.5%	33,799	-53.6%
NYNJ	109,843	112,987	-2.8%	97,769	**12.3%**	664,323	699,251	-5.0%	659,612	**100.7%**
Maryland	21,282	21,186	**0.5%**	16,164	**31.7%**	123,781	128,556	-3.7%	106,502	**116.2%**
Virginia	86,138	78,853	**9.2%**	71,591	**20.3%**	537,366	541,188	-0.7%	465,832	**15.4%**
South Carolina	44,694	68,990	-35.2%	57,935	-22.9%	331,605	430,029	-22.9%	389,335	-14.8%
Georgia	122,332	114,266	**7.1%**	117,424	**4.2%**	673,897	739,977	-8.9%	745,234	-8.6%
Jaxport	46,009	50,619	-9.1%	43,682	**5.3%**	273,902	291,515	-6.0%	234,293	**16.9%**
Port Everglades	36,871	31,505	**17.0%**	21,915	**68.2%**	204,023	191,406	**6.6%**	163,990	**24.4%**
Miami	26,017	28,828	-9.8%	25,679	**1.3%**	161,590	175,790	-8.1%	178,258	-9.4%
USEC Totals	**496,606**	**513,067**	-3.2%	**457,273**	**8.6%**	**2,986,169**	**3,235,529**	-7.7%	**2,976,855**	**0.3%**
New Orleans	13,872	21,847	-36.5%	20,890	-33.6%	112,082	138,400	-19.0%	143,716	-22.0%
Houston	102,889	84,614	**21.6%**	97,635	**5.4%**	601,667	558,098	**7.8%**	634,589	-5.2%
USGC Totals	**116,761**	**106,461**	**9.7%**	**118,525**	-1.5%	**713,749**	**696,498**	**2.5%**	**778,305**	-8.3%
Vancouver	54,951	76,484	-28.2%	83,970	-34.6%	345,471	489,950	-29.5%	528,656	-34.7%
Prince Rupert	12,213	9,224	**32.4%**	17,113	-28.6%	73,826	81,934	-9.9%	100,556	-26.6%
British Columbia Totals	**67,164**	**85,708**	-21.6%	**101,083**	-33.6%	**419,297**	**571,884**	-26.7%	**629,212**	-33.4%
US/BC Total	1,014,053	1,048,716	-3.3%	1,045,931	-3.0%	6,167,998	6,764,579	-8.8%	6,748,006	-8.6%
US Total	946,889	963,008	-1.7%	944,848	**0.2%**	5,748,701	6,192,695	-7.2%	6,118,794	-6.0%
USWC/BC Total	400,686	429,188	-6.6%	470,133	-14.8%	2,468,080	2,832,552	-12.9%	2,992,846	-17.5%

Source Individual Ports

June 2022 TEU Numbers Continued

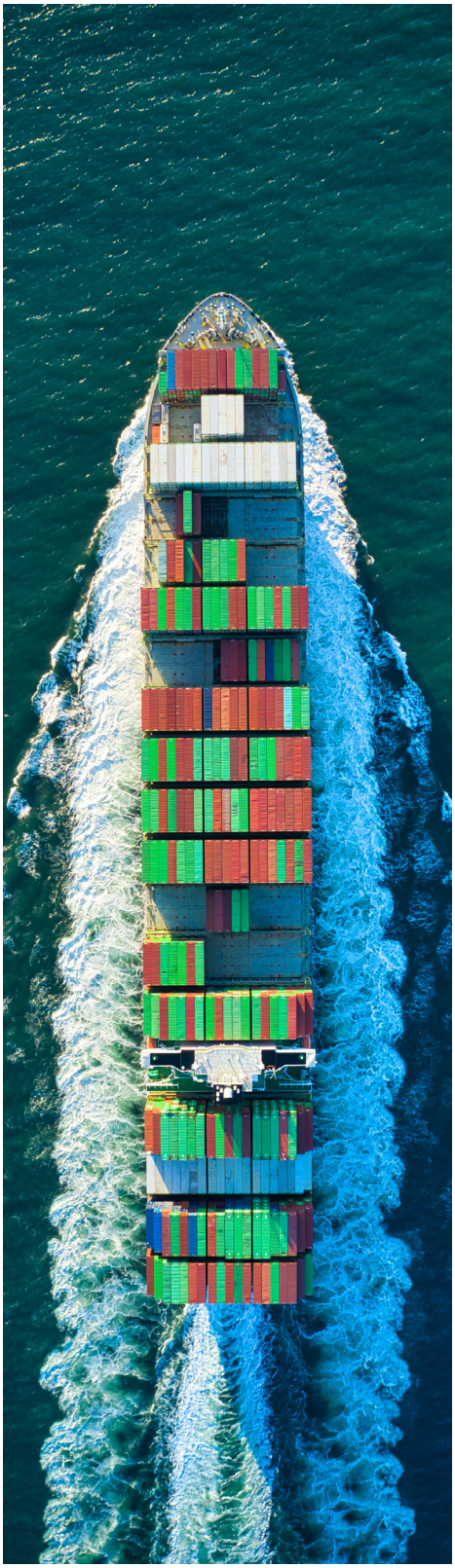


Exhibit 3

June 2022 YTD Total TEUs

	Jun 2022 YTD	Jun 2021 YTD	% Change	Jun 2020 YTD	% Change
Los Angeles	5,413,903	5,427,874	-0.3%	3,761,888	43.9%
Long Beach	5,007,778	4,753,828	5.3%	3,433,035	45.9%
San Pedro Bay Ports	**10,421,681**	**10,181,702**	**2.4%**	**7,194,923**	**44.8%**
NYNJ	4,894,636	4,395,072	11.4%	3,365,625	45.4%
Georgia	2,891,093	2,740,544	5.5%	2,091,401	38.2%
Houston	1,897,065	1,607,793	18.0%	1,427,809	32.9%
NWSA	1,806,731	1,881,337	-4.0%	1,564,263	15.5%
Virginia	1,854,024	1,681,702	10.2%	1,274,115	45.5%
Vancouver	1,803,477	1,944,092	-7.2%	1,564,479	15.3%
South Carolina	1,436,697	1,335,094	7.6%	1,096,216	31.1%
Oakland	1,230,799	1,301,782	-5.5%	1,168,188	5.4%
Montreal	873,047	839,497	4.0%	826,704	5.6%
JaxPort	649,001	713,593	-9.1%	590,170	10.0%
Miami	619,170	636,563	-2.7%	497,511	24.5%
Port Everglades	567,570	525,979	7.9%	464,586	22.2%
Prince Rupert	521,877	491,711	6.1%	480,423	8.6%
Maryland	511,940	525,000	-2.5%	497,707	2.9%
Philadelphia	379,204	351,629	7.8%	305,739	24.0%
New Orleans	211,752	271,877	-22.1%	298,512	-29.1%
Hueneme	133,286	106,608	25.0%	89,846	48.3%
San Diego	79,450	79,045	0.5%	76,889	3.3%
Portland, Oregon	73,820	43,231	70.8%	25,624	188.1%
Boston	62,587	110,548	-43.4%	131,121	-52.3%
US/Canada Total	32,918,907	31,764,399	3.6%	25,031,851	31.5%
US Only Total	29,720,506	28,489,099	4.3%	22,160,245	34.1%

Source Individual Ports

June 2022 TEU Numbers Continued

Savannah in May. On a YTD basis, Savannah's 673,897 outbound loaded TEUs puts it second only to the Port of Long Beach (710,593 TEUs). PNYNJ was third with 664,323 TEUs, followed by LA with 626,832 TEUs.

Exhibit 3 shows the total (full + empty) YTD container traffic over the first half of 2022. There were no changes in the line-up since last month. (Trigger Alert: Readers in New England may be upset to learn that the historic Port of Boston handles fewer TEUs than do the smaller California Ports of Hueneme and San Diego as well as Oregon's Port of Portland.)

Weights and Values

Here we offer an alternative to the customary TEU numbers. The percentages in **Exhibits 4 and 5** are derived from data compiled by the U.S. Commerce Department from documentation submitted by the importers and exporters of record. Commerce then makes the data available with a time-lag of approximately five weeks.

Exhibit 4 Major USWC Ports Shares of U.S. Mainland Ports Worldwide Container Trade, June 2022

	Jun 2022	May 2022	Jun 2021
Shares of U.S. Mainland Ports Containerized Import Tonnage			
USWC	**36.8%**	**36.9%**	**37.6%**
LA/LB	26.2%	27.5%	27.0%
Oakland	4.7%	3.7%	3.4%
NWSA	3.7%	3.8%	5.4%
Shares of U.S. Mainland Ports Containerized Import Value			
USWC	**41.5%**	**41.0%**	**43.0%**
LA/LB	33.1%	32.4%	32.5%
Oakland	3.2%	2.9%	2.9%
NWSA	4.0%	4.6%	6.4%
Shares of U.S. Mainland Containerized Export Tonnage			
USWC	**33.7%**	**34.9%**	**33.1%**
LA/LB	20.4%	21.4%	18.0%
Oakland	6.2%	6.4%	6.2%
NWSA	5.5%	5.3%	6.6%
Shares of U.S. Mainland Conatainerized Export Value			
USWC	**27.2%**	**28.4%**	**28.3%**
LA/LB	16.9%	18.4%	16.5%
Oakland	6.1%	6.1%	6.5%
NWSA	3.1%	2.9%	4.0%

Source: U.S. Commerce Department.

Exhibit 5 Major USWC Ports Shares of U.S. Mainland Ports Containerized Trade with East Asia, June 2022

	Jun 2022	May 2022	Jun 2021
Shares of U.S. Mainland Ports Containerized Import Tonnage			
USWC	**55.6%**	**56.5%**	**58.3%**
LA/LB	44.1%	44.8%	45.2%
Oakland	4.1%	4.1%	3.9%
NWSA	6.0%	6.2%	7.8%
Shares of U.S. Mainland Ports Containerized Import Value			
USWC	**61.3%**	**61.1%**	**63.9%**
LA/LB	50.4%	49.4%	49.8%
Oakland	3.6%	3.6%	3.4%
NWSA	6.1%	6.9%	9.6%
Shares of U.S. Mainland Containerized Export Tonnage			
USWC	**57.2%**	**59.4%**	**52.1%**
LA/LB	37.3%	37.6%	30.8%
Oakland	8.7%	9.6%	9.1%
NWSA	10.0%	9.3%	11.2%
Shares of U.S. Mainland Conatainerized Export Value			
USWC	**53.4%**	**56.8%**	**54.8%**
LA/LB	35.5%	37.9%	33.8%
Oakland	9.8%	10.7%	11.4%
NWSA	6.7%	6.7%	7.9%

Source: U.S. Commerce Department.

June 2022 TEU Numbers Continued

Note that we have recently introduced a new row of numbers to reflect the fact that, although the Big Five USWC ports continue to handle the vast majority of the container trade passing through America's Pacific Coast ports, there is slightly more to the story.

Exhibit 4 testifies to the decline in the USWC share of containerized imports through mainland U.S. ports in June. There was a modest uptick in the USWC share of containerized export tonnage to destinations worldwide.

Exhibit 5 displays the USWC shares of U.S. containerized trade with East Asia in June. The numbers testify to the erosion of USWC share of containerized imports from the other side of the Pacific, both in terms of tonnage and value. On the export side of the ledger, the USWC ports handled a significantly higher share of the containerized tonnage heading across the Pacific than they had a year earlier, even if their share of the value of those exports declined.

Tree Nut Exports Migrating South/North/East

Even before the trucker protests shut down the Port of Oakland for a few days last month and even before Blue Diamond Growers unveiled its "Almond Express" to expedite exports of California's premier tree nut, Oakland's long dominant position as the nation's top port for tree nut exports had been eroding. In June, the Northern California port accounted for 77.2% of all overseas shipments of almonds, down sharply from an 85.4% share a year earlier. The Ports of Los Angeles and Long Beach meanwhile handled 20.5% of the trade in June, up from 14.1% in June 2021. Houston held a slender 1.3% share in June, up from 0.1% a year earlier.

Although walnut growers in California have been talking about reducing their reliance on Oakland, the latest data do not exactly indicate they have been fleeing the Northern California gateway. Oakland's share of walnut exports this June (92.1%) was not much changed from its 92.4% share a year earlier. Still, the San Pedro Bay ports did see their share of the trade increase to 3.4% from 1.9% in June 2021. U.S. Census Bureau export data show no exports of walnuts at all through Houston in June.

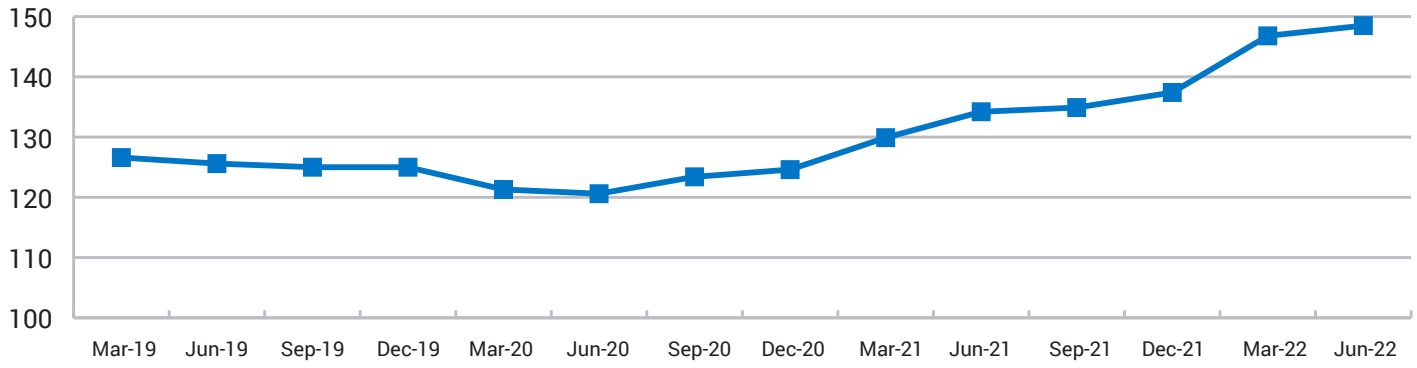
As for the other major tree nut, pistachio exporters have long favored the Ports of LA and Long Beach which are closer to the pistachio growing regions of the Southwest. Yet, over the past year, those ports have lost market share to Oakland and to Houston. In June, the two San Pedro Bay ports shipped 57.1% of pistachio exports. That was down sharply from a 74.4% share a year earlier. Houston, which had handled no pistachio exports in June 2021, handled 6.0% of the trade this June. An even bigger percentage gain was recorded by Oakland, whose share of pistachio export tonnage rose to 33.5% this June from 25.6% a year earlier.

We'll see if the Almond Express hastened the flow of the precious tree nut – California's most valuable agricultural export – to the ports of San Pedro Bay.

Price Indexing

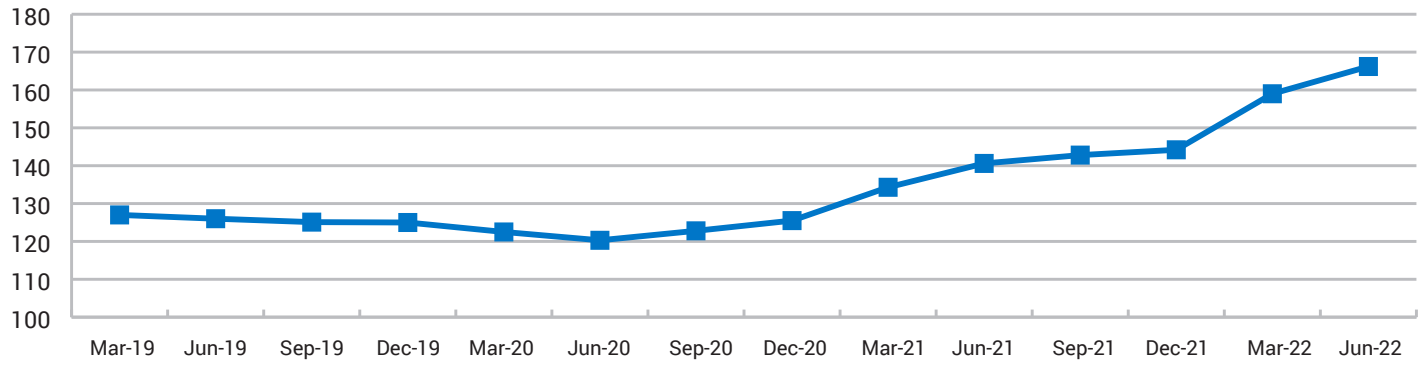
News reports citing trade statistics denominated in

Exhibit 6 **U.S. Import Price Index: Q1 2019 – Q2 2022**
Source: Federal Reserve Bank of St. Louis



June 2022 TEU Numbers Continued

Exhibit 7 **U.S. Export Price Index: Q1 2019 – Q2 2022**
Source: Federal Reserve Bank of St. Louis



dollars have lately become wildly misleading because of inflation. For example, U.S. imports in June were reportedly valued at $286.1 billion, while exports were worth $182.6 billion. The year-over-year increases were extremely impressive: an 18.5% rise in imports and an even larger 23.5% jump in exports. Yippee!

Not so fast. Those figures are nominal (i.e., not adjusted for either seasonal variation or price changes), and, unless your point of reference is the Costco hot dog, there have been some mighty big price changes over the past year. **Exhibits 6 and 7** depict the recent spikes in import and export prices. As a result, we have been seeing a widening divergence between the nominal trade numbers that find their way into news headlines and the real trade statistics that better capture the reality on the ground…or in shippers' bank accounts.

Here are two tables showing the sharp price increases that have afflicted U.S. importers and exporters. We begin the story with the Federal Reserve Bank of St. Louis's indices in the relatively benign month of June of 2019 and trace the import/export increases through June 2022.

So how much do these price changes affect the year-over-year gains cited above? Well, that ostensible 18.5% bump in imports gets deflated to an 8.2% increase, while that 24.5% jump in exports slips back to a 7.5% increase. Still impressive, but not barn-burning numbers.

The Wilmingtons

Conspicuously absent from our compendia of container ports are the Ports of Wilmington (Delaware) and Wilmington (North Carolina). Both are notoriously shy about revealing their cargo statistics. Thus, despite periodic requests to the respective Wilmingtons, we have no TEU numbers for either port. We do, however, have data on the amount of containerized tonnage each has been handling.

Last year, the Delaware Wilmington processed 1,845,579 metric tons of containerized imports and 359,403 metric tons of containerized exports. At the North Carolina Wilmington, containerized imports amounted to 1,212,040 metric tons last year, while containerized exports totaled 1,418,602 metric tons.

Where do these tonnage figures place the two Wilmingtons in the national pecking order of ports? Not in the top ten, certainly. In 2021, the North Carolina port handled more containerized tonnage (2,630,642 metric tons) than did the Delaware port (2,204,982 metric tons). Compared to the ports we do routinely track, the Wilmington came behind the Port of Jacksonville (3,126,007 metric tons) but ahead of the Port of Hueneme (1,354,277 metric tons).

Soybean Exports

Most (87.2% in this year's first half) of America's soybean exports are not containerized. Most (73.8%) of the nation's soybean exports in this year's first six months left the country from ports along the East and Gulf Coasts, while 25.1% were shipped from ports in the Pacific Northwest. The top port up there is Kalama, with a 10.8%

June 2022 TEU Numbers Continued

share of the U.S. soybean trade. The Ports of Seattle and Tacoma held an 8.7% share in this year's first half, while two other ports on the Washington State side of the Columbia River, Longview (3.6%) and Vancouver (1.6%), also played roles in the trade. Oregon's Port of Portland handled 0.4% of the nation's soybean exports through the first half of this year.

Tree Nut Exports in July

Given the disruption at the Port of Oakland caused by truckers protesting against AB 5, tree nuts exports in July were not surprisingly down sharply. Exports of almonds were down by 29.2% from a year ago, according to data from the California Almond Board.

Walnut exports were likewise down in July, according to the California Walnut Board. Exports of shelled walnuts were down by 33.2% from July 2021, while overseas shipments of inshell walnuts were off by 22.9%. It's worth noting that domestic walnut shipments were also down in July, although by smaller Y/Y margins of 10.5% and 8.8%, respectively.

However, pistachio exports were up 29.9% over last July, according to the Administrative Committee for Pistachios, the federally sanctioned marketing group overseeing the U.S. pistachio industry.

We can't help but observe that the tree nut growers have been struggling in the domestic market, with July shipment numbers uniformly down for almonds (-19.3%), pistachios (-11.9%), and walnuts (-8.8%).

The Loneliest Trade: Inbound Empties

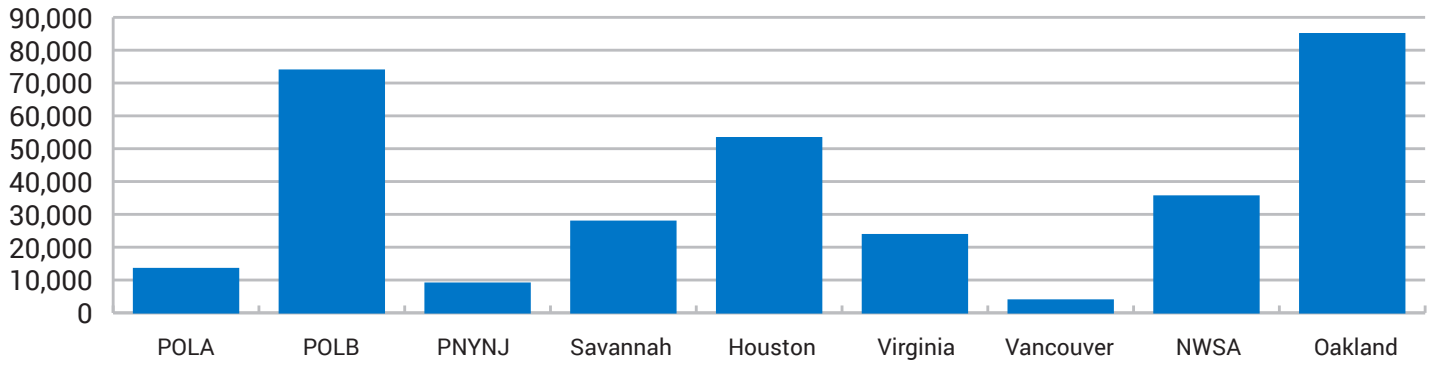
Over the past couple of years, empty containers have become controversial. On the one hand, ocean carriers have found themselves pressured by government agencies to prioritize exports of empties by dispatching "sweeper" vessels to clear space on marine terminals and nearby streets. On the other hand, numerous observers – including innumerable public officials – have been scolding the maritime industry for shipping vastly greater numbers of empty rather than loaded containers overseas. One cable news correspondent even concocted a way (we won't dignify it by calling it a methodology) of calculating the value of U.S. exports that were not shipped because ocean carriers supposedly prioritized the return of empties to factories in Asia. As in this "how many times did the dog not bark?" stab at misapplied economics, the fact that the Ports of Los Angeles and Long Beach combined to ship 4,541,728 more empty than loaded TEUs last year has drawn critical comment on Capitol Hill and in Sacramento, contributing in no small way to the passage of the Ocean Shipping Reform Act.

By contrast, absolutely no one seems to wonder about either the provenance or the fate of empty inbound containers. There are such things, although they are relatively rare, the blue lobsters of the container trade. And they seem to primarily haunt the trade between U.S. West Coast ports and the 49th and 50th U.S. States. So, here we'll seek to remedy this gap in the literature on maritime trade by reviewing the available statistics.

Through the first half of 2022, the Ports of Los Angeles and Long Beach handled a total of 10,421,681 TEUs. Of all those metal boxes, a miniscule 0.8% or 87,405 TEUs were empty inbound containers. At the Port of Oakland, the 73,225 inbound empty TEUs that arrived in the first half of this year represented 7.2% of the 1,014,845 TEUs the port handled so far this year.

June 2022 TEU Numbers Continued

Exhibit 8 **Inbound Empties at Major North American Ports YTD June 2022**
Source: Individual Ports



By comparison, at the Port of New York/New Jersey, 0.2% of all TEU traffic in this year's first half – a mere 9,040 TEUs -- arrived empty. At Savannah, inbound empties have accounted for 0.9% of all container traffic this year.

Quite a few of those empty boxes being returned to the California ports involved container traffic with Hawaii and Alaska. How much, we don't rightly know. The ports do not routinely distinguish intramural trade from international trade, which is why we use the term "inbound" rather than "import" when referencing trade at nearly all of the ports we monitor.

The exception is the Northwest Seaport Alliance Ports of Tacoma and Seattle. The box counters up there do segregate their international from their domestic container statistics. Of the 733,872 TEUs in international imports handled at the two ports, 4.8% (35,574 TEUs) held nothing but air. In this year's first six months, the NWSA port handled a total of 1,436,381 TEUs in international trade, alongside 370,351 TEUs in shipments involving Alaska (297,999 TEUs) and Hawaii (72,352 TEUs).

Exhibit 8 displays the traffic in inbound empties at some of the largest container ports around the country through the first half of this year. The empties arriving at Oakland and Long Beach are largely returns from Hawaii (mostly), Alaska (more than a smidge), and Guam (less than a smidge).

Jock O'Connell's Commentary:

The Venerable and Esteemed Shahram, Late Pundit of Samarkand

During my travels through what was then Soviet Central Asia nearly a half-century ago, I heard the tale of an early 16th century scribe named Shahram. Now this Shahram was chiefly known for standing in the public square loudly reciting poem after poem lamenting the decline of Samarkand as a vital link in the Silk Road between Asia and Europe.

Shahram's verses, which were said to be little more than minor variations on each other, made no bones about why he thought the caravan trade passing through the Uzbek metropolis was faltering. By his lights, the villain was an obstreperous band of navvies who transloaded cargo from one camel train to the next.

These workers, as the story goes, were steadfastly opposed to a new rope and pully system that had been designed to make their labor more productive. So, in Shahram's mind, their obstinate refusal to embrace new technology undermined Samarkand's competitive

Commentary Continued

position and resulted in the diversion of steadily larger shares of the Silk Road trade – measured in CEUs or Camel Equivalent Units -- to rival transloading facilities at Dushanbe and Tashkent.

That, at least, was Shahram's contention. However, as many of his contemporaries and every subsequent generation of historians have pointed out, Shahram's apparently obsessive need to spread calumny about the local stevedores blinded him to any number of other factors behind his city's decline as an international transshipment hub.

Chief among these other factors was the rapid emergence of an all-water route in the decades following Vasco da Gama's voyage of discovery in the final years of the 1500s. For the first time, goods could be shipped profitably by sea between ports in Europe and the growing number of trading stations being established throughout Asia. Traders henceforth had no need to fret about Samarkand's stevedores who, like Shahram, now hardly merit more than a footnote in history.

I am reminded of Shahram nearly every time I come across a news report lamenting (as they usually do) the diminishing share of today's transpacific container trade that passes through U.S. West Coast (USWC) ports.

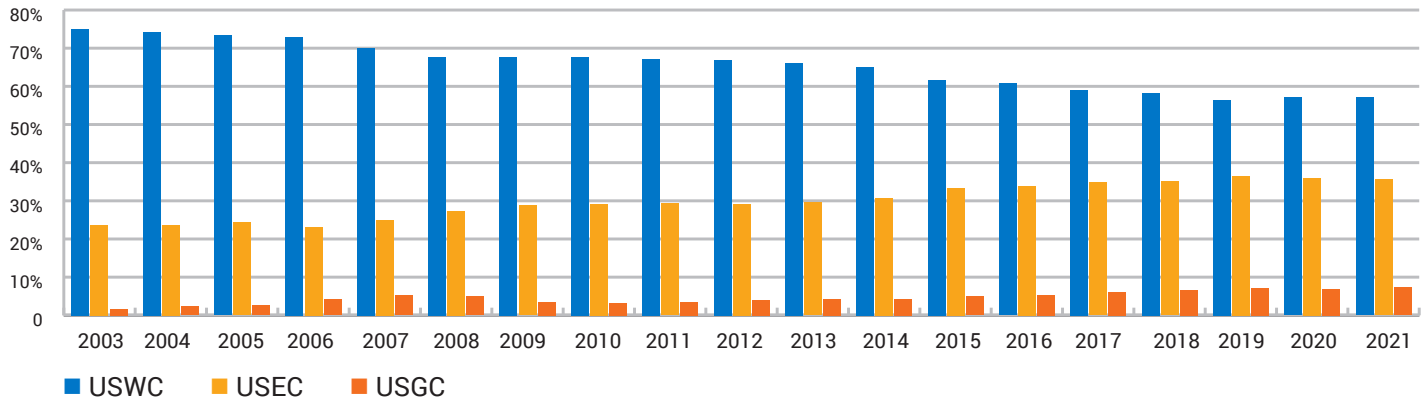
I certainly don't mean to deny the trend shown in **Exhibit A**. There is no question that America's Pacific Coast ports no longer handle three-quarters of containerized import tonnage from East Asia, as they did just a couple of decades ago.

What I find irritating, and not a little misleading, is the way many reporters chose to frame the shift in trade by giving it the appearance of a sporting event demanding the latest box scores and an ongoing play-by-play featuring churlish commentary on the daily drama.

Way too many analyses of today's transpacific container trade begin (and often end) with the premise that the large scale "diversion" of containers from USWC ports to their East and Gulf Coast rivals has largely been due to problems at West Coast ports, with the favored journalistic hobbyhorse being the exhaustively chronicled history of occasionally tempestuous labor-management relations on West Coast docks. Hardly ever is a broader context offered.

At times, this knee-jerk penchant for attributing the nation's supply chain woes to the presumed failings of USWC ports involves some astonishing logical gymnastics. Consider an August 17 article in *The Wall Street Journal* which manages – in the very same paragraph -- to note that "growth has slowed at the Southern California ports, the main gateways for goods imported from Asia" before then blaming the recent phenomenon of congested East and Gulf Coast ports on retailers and manufacturers "diverting goods to avoid congestion on the West Coast". Is it impossible

Exhibit A **Coastal Shares of Containerized Import Tonnage from East Asia**
Source: U.S. Commerce Department



Commentary Continued

to imagine that some East or Gulf Coast importers might simply find it more convenient to have their goods delivered to nearby ports?

Only with great infrequency are these "diversions" attributed to the entirely reasonable proposition that beneficial cargo owners might actually prefer to have their goods shipped through ports that lie adjacent to where most American consumers live and where most of America's manufacturing capacity is located. That geography secured for USWC ports first rights to America's trade with Asia does not automatically ensure that that privilege should remain permanent, any more than Aaron Judge will forever remain baseball's top homerun hitter. There's that competition thing that erodes momentary advantage.

Let's stand back for a moment from the daily preoccupation with bemoaning supply chain congestion and examining the entrails of rumors about the status of the negotiations between the Pacific Maritime Association and the International Longshore and Warehouse Union. Instead, let's look — if only briefly – at such tedious topics like geography and demographics and the history of America's foreign trade over the past few decades.

For starters, there are eleven western states extending as far east as Colorado that comprise the immediate hinterland served by USWC ports. Collectively, those states account for 23.7% of the U.S. population and 24.6% of national GDP. Importantly, though, they only account for a relatively slender 17.0% of America's manufacturing output, according to the U.S. Bureau of Economic Analysis.

By contrast, the states of the Northeast and the South, the natural hinterland of East and Gulf Coast ports, are home to 55.5% of all Americans, account for 53.8% of the nation's GDP and 50.3% of its manufacturing output.

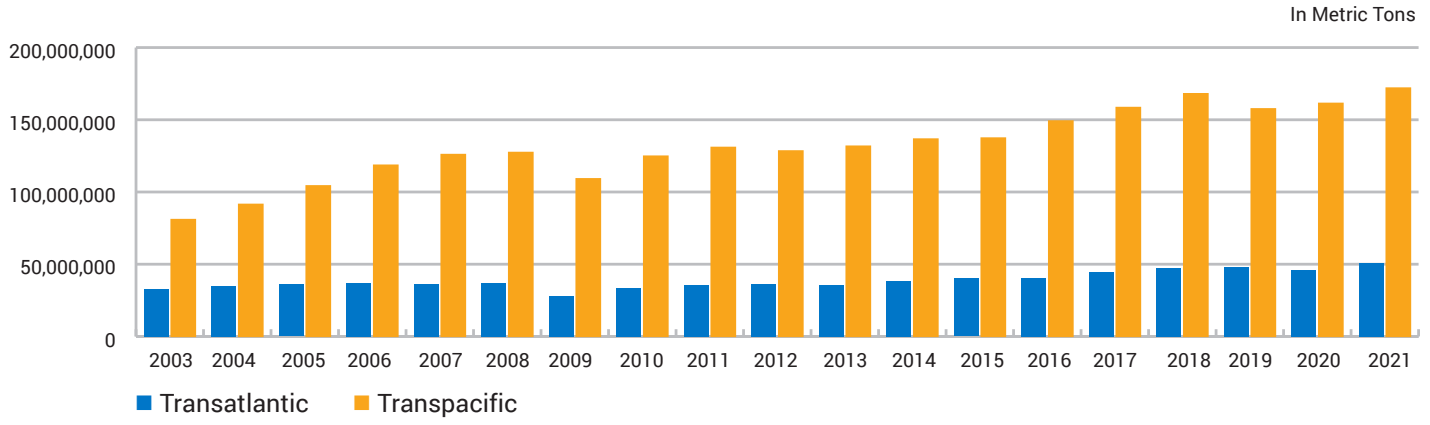
If you were to invest billions of dollars in developing America's maritime trade infrastructure, where would you put your money? Willie Sutton famously explained that he robbed banks because that's where the money was. Wouldn't you sidle up to where most consumers live and where the majority of goods are made? This isn't an academic question. It's evidently what Congress has been asking itself.

If anything is remarkable about contemporary reporting on the nation's logistical challenges, it is just how little realization there seems to be that it has taken decades and billions of dollars in investments before the maritime infrastructure on the East and Gulf Coasts caught up to the rapid emergence of East Asia as the world's factory.

Over the long course of our history, the preponderance of America's maritime trade was conducted with Europe. As recently as the mid-1980s, more of America's seaborne trade crossed the Atlantic than the Pacific.

Since then, the balance has swung with remarkable speed to the Pacific as Japan's export-driven economy surged

Exhibit B **Containerized Tonnage by Ocean Route: 2003 to 2021**
Source: U.S. Commerce Department



Commentary Continued

such that, by the 1980s, it was not uncommon to hear predictions that Japan would shortly overtake the U.S. as the world's largest economy. But Japan was only the first Asian nation to shoulder its way into the global trading system. It was soon accompanied by the rise of the so-called Asian Tigers (South Korea, Taiwan, Hong Kong, and Singapore). Even before China and the eventual arrival of a set of new Southwest Asia players (most notably Vietnam, Malaysia, Indonesia, and Thailand), the world's economy geographic center had shifted dramatically.

That proved to be a boon for USWC ports, which enjoyed a decided geographic advantage. But it posed a serious and ongoing challenge for ports elsewhere in the country. As **Exhibit B** shows, the volume of containerized trade crossing the Pacific has continued to dwarf America's transatlantic trade, leaving East Coast ports with the prospect of stunted growth, unless they captured more of the burgeoning trade with East Asia. There were serious obstacles to doing so, however, not the least of which was an outdated canal through Panama that limited the size of ships that could make the trip from Japan or China to East and Gulf Coast ports.

Even worse, the existing maritime infrastructure along the East Coast was lacking. Container ships had grown too large for many ports, and the equipment to handle increased container flows was inadequate. Channels would have to be dredged, turning basins widened, and bridges raised to accommodate the vessels that would eventually be able transit the expanded canal the Panamanians opened to traffic in 2016.

All this required money (measured in billions) and time (measured in years) to ready the infrastructure needed to go after more of the nation's container trade with the Far East. Fortunately for East and Gulf Coast ports, local and state officials and their representatives in Congress proved mightily adept – much more than their colleagues from the West – at requisitioning the funds needed to undertake a massive expansion of port capacity along the East and Gulf Coasts. By some estimates, for every federal dollar allocated to USWC ports, ten dollars went to East and Gulf Coast ports.

None of this history is a secret, even if it may make for less compelling reading that hashing through the latest will-they or won't-they gossip about longshore negotiations. Eventually, ports closer to where the nation's population and manufacturing enterprises are clustered equipped themselves with the wherewithal to manage higher and higher volumes of the nation's overseas trade. So what some prefer to see as diverted cargo is actually a natural result of America's maritime infrastructure finally reconfiguring itself to accommodate a decades-old shift in the global trading system.

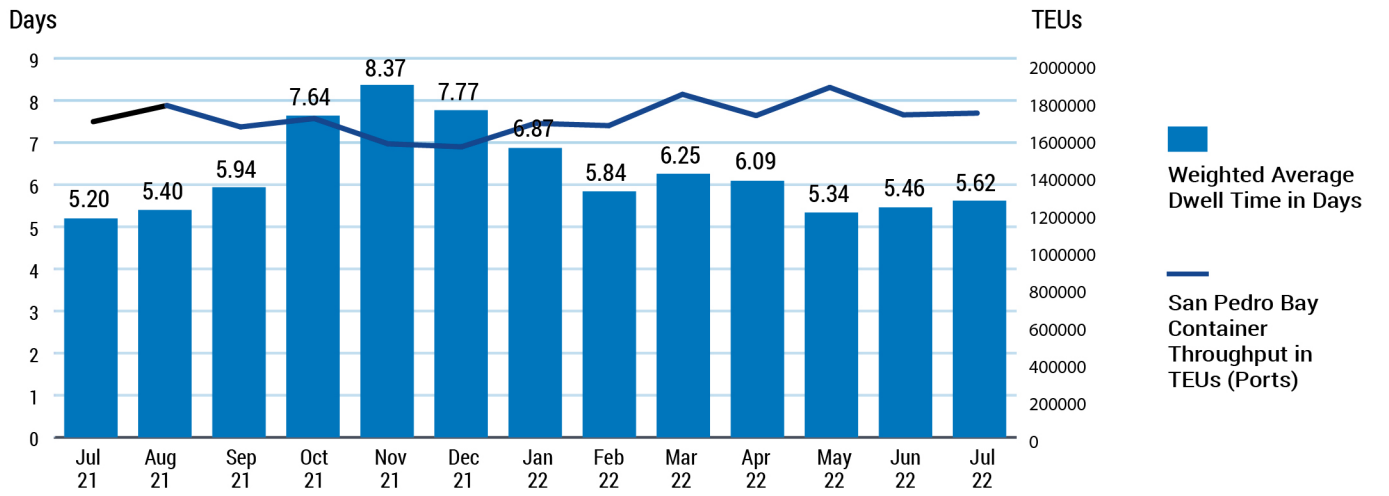
Even Shahram might have eventually come to see this unfold.

Disclaimer: The views expressed in Jock's commentaries are his own and may not reflect the positions of the Pacific Merchant Shipping Association.

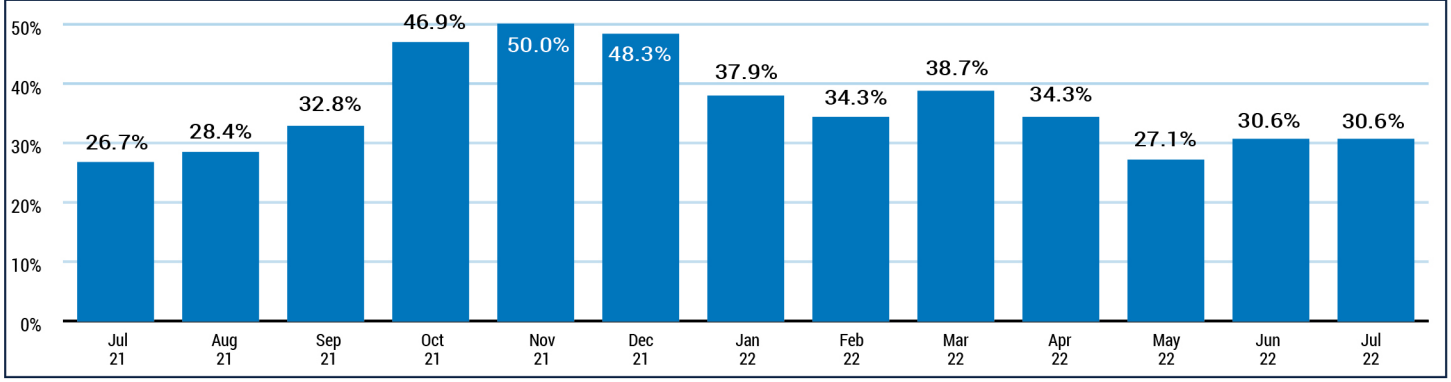
Interested in membership in PMSA?
Contact Laura Germany for details at: lgermany@pmsaship.com or 510-987-5000.

Container Dwell Time Up in July

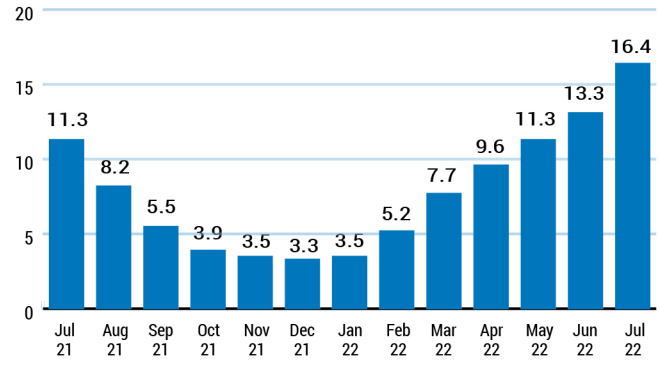
San Pedro Bay Weighted Average Inbound Laden Container Dwell Time in Days



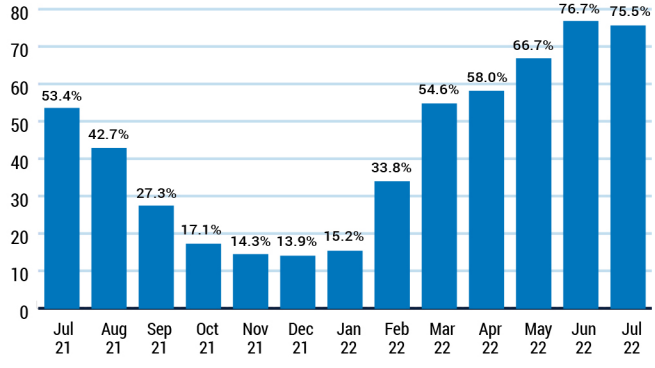
Dwell Time in Days % > 5 Days



Rail Dwell Time in Days



Rail Dwell Time in Days % > 5 Days



PUGET SOUND PILOTAGE DISTRICT ACTIVITY REPORT

Aug-2022

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

Activity

Total pilotage assignments:	680			Cancellations:	11					
Total ship moves:	669	Cont'r:	181	Tanker:	186	Genl/Bulk:	98	Other:	204	
Assignments delayed due to unavailable rested pilot:	31					Total delay time:	141.6			
Billable delays by customers:	54					Total delay time:	140			
Order time changes by customers:	196									
2 pilot jobs:	39	Reason:	PSP GUIDELINES FOR RESTRICTED WATERWAYS							
Day of week & date of highest number of assignments:	Tuesday 8/23							30		
Day of week & date of lowest number of assignments:	Monday 8/29							13		
Total number of pilot repositions:	142	Upgrade trips	16	YTD	100					
3 consecutive night assignments:	51	YTD	336							

Callback Days/Comp Days

	Starting Total	Call Backs (+)	Used (-)	Burned (-)	Ending Total
Licensed	2614	107	100		2621
Unlicensed	300			35	265
Total	2914	107	100	35	2886

On watch assignments	**565**	**Call back assignments**	**115**	**CBJ ratio**	**16.91%**

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
					*On watch Off watch

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

Start Dt	End Dt	City	Group	Meeting Description	Pilot Attendees
3-Aug	3-Aug	Port Angeles	PSP	Pilot Station	JEN*, MYE*
4-Aug	4-Aug	Port Angeles	PSP	Legislative tours	VON*
8-Aug	8-Aug	Seattle	PSP	Least Depth	LOB
9-Aug	11-Aug	Seattle	PSP	President	KLA*
9-Aug	9-Aug	Seattle	PSP	Quiet Sound	KAL
11-Aug	11-Aug	Port Angeles	PSP	Outreach	VON**
11-Aug	11-Aug	Seattle	PSP	Outreach	BEN*, BOZ, MCG, NIN
15-Aug	15-Aug	Seattle	PSP	Rates	KLA*

15-Aug	15-Aug	Seattle	BPC	TEC	BEN*				
15-Aug	15-Aug	Seattle	BPC	BPC	ANT, BEN*				
16-Aug	8/16	Port Angeles	PSP	Pilot Boat	SEM*				
16-Aug	16-Aug	Seattle	PSP	Outreach	VON*				
18-Aug	18-Aug	Seattle	PSP	BOD	COR*, GRD, GRK*, KLA*, MYE				
23-Aug	23-Aug	Seattle	PSP	NWSA-T5	BOU, LOB**				
25-Aug	25-Aug	Seattle	PSP	Jury Duty, Standby only	COR*				
					* on watch	off watch	** paired to		
					14	9	2		
Safety/Regulatory									
Outreach									
Administrative									

C. Other (i.e. injury, not-fit-for-duty status, COVID risk

Start Dt	End Dt	REASON	PILOT
1-Aug	31-Aug	NFFD	HAM, HED
11-Aug	15-Aug	Covid	SEY

PSP Efficiency Measures

Combined an inter-port assignments with harbor shift 16 times

Combined meetings with revenue assignments 2 times

Combined cancellations with intra-port assignments 3 times.

Utilized immediate repo rule 4 times. This allowed pilots to be assigned on the Seattle side quicker than on the PA side.

Reduced call time between 1830-0759 allowed 12 pilots to be assigned, while prior rules would not have allowed for this

Reduced call times between 1830-0759 reduced the 3&O type jobs by 6.

While the efficiency measures have demonstrably improved pilot on-watch productivity, PSP's ability to utilize the new measures is highy dependent on vessel traffic and schedules. Efficiency measures were deployed less effectively in August than in July because the timing of assignments was better in July.

Month	Jobs	Pilot Delays	CBJ Ratio	Combined Inter-Port and Harbor shift jobs	Three and Out	NFFD or Covid			
May	701	214	18%	9	50	71			
June	709	242	22%	15	47	131			
July	737	151	16%	29	40	84			
August	680	141.6	17%	16	51	67			