STATE OF WASHINGTON

BOARD OF PILOTAGE COMMISSIONERS

Summer 2020

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.

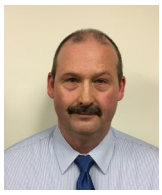
THE BPC PILOTAGE QUARTERLY

Announcements

Two More Puget Sound Licensures!

Welcome to our two newest Puget Sound pilots, Captains Matt Miller and Pete Velarde, who were licensed by the Board in April 2020! Unfortunately, the Board was not able to meet in person to acknowledge their accomplishments, but will plan to celebrate in person at a future date.

Congratulations, Captains!



ESHB 1578 Interpretive Statement and OTSC update

The Board's Oil Transportation Safety Committee (OTSC) has completed its first phase of work, which was to recommend definitions for ESHB 1578 terms via an Interpretive Statement and to identify geographic zones to inform the Department of Ecology's risk model per the directives of the 2019 legislation, ESHB 1578 *Reducing the risks to southern resident killer whales by improving the safety of oil transportation* (The Act). The Board adopted the Interpretive Statement at the June 18, 2020 regular meeting. At the upcoming July 16, 2020 regular meeting, the Board will consider the recommended geographic zones. Information about that meeting, including materials, can be found on our website at https://pilotage.wa.gov/meetings.html.

As of September 1, 2020, tug escorts will be required on tank vessels between 5,000 and 40,000 deadweight tons in Rosario Strait and connected waterways east. The Board will be hosting a webinar to explain the Interpretive Statement, provide information regarding next steps for ESHB 1578, concluding with a Q&A session. If you are interested in attending one of the two webinar sessions being offered, please register here.

Vessels identified in ESHB 1578. From left, a 17,000 DWT oil tanker (photo by M.L. Jacobs), a Crowley ATB (photo courtesy of Crowley.com), and a towed oil barge (photo courtesy of Sause.com)

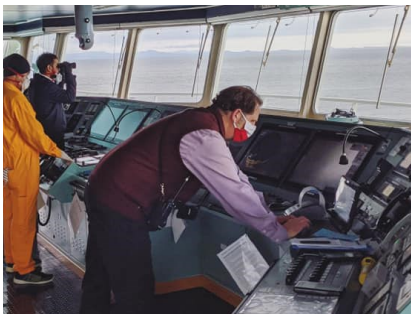
BPC Operations

The staff of the BPC continues to work remotely, taking turns to be in the office periodically. Public meetings of the Board and BPC committee meetings continue to occur virtually, per the Governor's orders. Despite the disruption, agency operations continue to run smoothly. Though a state agency, BPC is not one of the Governor's Cabinet nor Executive agencies and therefore is not required at this time to furlough under the Governor's recent orders.

If you need to come in to the office, please contact BPC staff at (206) 515-3904 or PilotageInfo@wsdot.wa.gov to schedule a time.

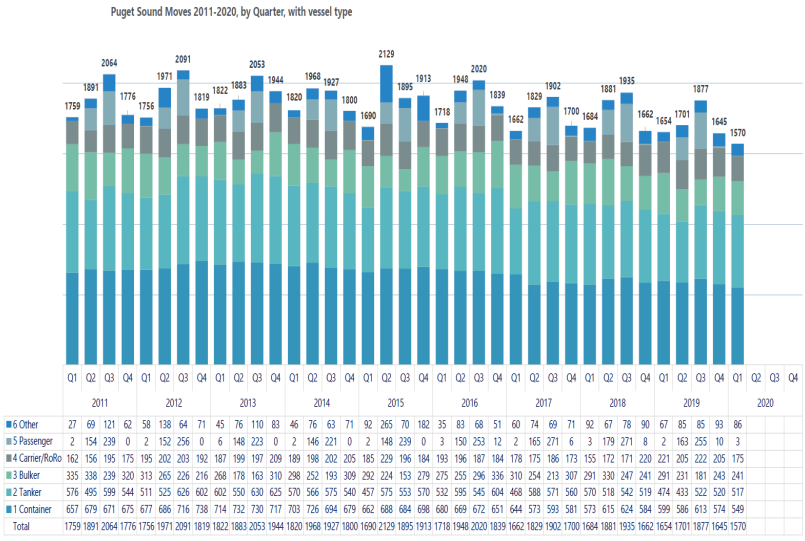
Piloting During a Pandemic

Puget Sound pilot, Captain Chris Rounds (right) and the crew of the PSARA I demonstrate safety precautions as they depart Port Angeles on their way to Cherry Point. Captain Rounds wears a mask representing the white and red of the pilot flag. Photo courtesy of Puget Sound Pilots.



PS Pilotage District Data Analysis

At the June 18, 2020 BPC meeting, the Board reviewed data regarding moves by vessel type prepared by BPC Program Analyst Bettina Maki. The data below will be updated to include 2nd Quarter numbers, which will indicate the impacts of the pandemic on the cruise industry.



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2011				2012				2013				2014				2015				2016				2017				2018				2019				2020			
6 Other	27	69	121	62	58	138	64	71	45	76	110	83	46	76	63	71	92	265	70	182	35	83	68	51	60	74	69	71	92	67	78	90	67	85	85	93	86			
5 Passenger	2	154	239	0	2	152	256	0	6	148	223	0	2	146	221	0	2	148	239	0	3	150	253	12	2	165	271	6	3	179	271	8	2	163	255	10	3			
4 Carrier/RoRo	162	156	195	175	195	202	203	192	187	199	197	209	189	198	202	205	185	229	196	184	193	196	187	184	178	175	186	173	155	172	171	220	221	205	222	205	175			
3 Bulker	335	338	239	320	313	265	226	216	268	178	163	310	298	252	193	309	292	224	153	279	275	255	296	336	310	254	213	307	291	330	247	241	291	231	181	243	241			
2 Tanker	576	495	599	544	511	525	626	602	602	550	630	625	570	566	575	540	457	575	553	570	532	595	545	604	468	588	571	560	570	518	542	519	474	433	522	520	517			
1 Container	657	679	671	675	677	686	716	738	714	732	730	717	703	726	694	679	662	688	684	698	680	669	672	651	644	573	593	581	573	615	624	584	599	586	613	574	549			
Total	1759	1891	2064	1776	1756	1971	2091	1819	1822	1883	2053	1944	1820	1968	1927	1800	1690	2129	1895	1913	1718	1948	2020	1839	1662	1829	1902	1700	1684	1881	1935	1662	1654	1701	1877	1645	1570			

DISTRICT SNAPSHOTS

Puget Sound

Retirements:
Captain Don Mayer — May 2020
Thank you for your outstanding service to the BPC, its committees, and to the state of Washington!

License Upgrades to Unlimited:
No pilots upgraded to Unlimited during April, May, or June.

Licensure
Captain J. Matt Miller
Captain Pete Velarde
Congratulations!

Training Program:
Currently in training are Captains Joe Siddell, Matt Hannuksela, Neil McGourty, Severin Knutsen, Ryan Gartner, Eric Michael, Nick Moore, Robert Ekelmann, and Andrew Stewart.

Captain Knutsen is transitioning to the Evaluation Phase of his program.
Keep up the great work!

Puget Sound pilot Captain Rod Myers (left) supervises pilot trainee Captain Matt Hannuksela during a recent Evaluation trip. Photo courtesy of Puget Sound Pilots.

Grays Harbor

Training Program:
Currently in training is Captain Forest McMullen.

The BPC Pilotage Quarterly is a publication of the Board of Pilotage Commissioners.
It is available online at Pilotage.wa.gov. To join our distribution list, email PilotageInfo@wsdot.wa.gov or call (206) 515-3904.

State of Washington
Pilotage Commission
July 16, 2020

Grays Harbor District Report

In June we had 5 dry bulk vessel arrivals. That brings YTD June 30, 2020 to 37 vessels arrivals for a total of 98 jobs. Capt. D'Angelo had the duty from May 22 to June 30. July looks a little busier with 7 dry bulkers and a logger at month end (partial load) for a total of 8.

Pilot Boat Chehalis

Port Commissioners authorized the signing of a purchase and sale agreement with Jacobsen Pilot Service for the recently surplused P/V Vega. The attached memo shows a comparison to the replacement committee's specificaitons. We are in process of scheduling a survey of the Vega later this month. Comments and feedback have been positive thus far. Although the twin diesel engines are not new, they were recently replaced and the boat was lengthened to improve handling. There should be 10 plus years of life left on the Vega and with lower hour useage than Long Beach maybe we will get a couple of extra years on operating life.

A report on the status of the search and information related to a potential used boat is included in the agenda package. As part of the due diligence process, Randy Lewis, with assistance from Forest McMullen is researching potential firms to conduct a pre-purchase survey to confirm the value and condition of the vessel and its equipment. The survey will include a verification of the hull thickness, dye testing to identify any cracking of the aluminum, and signs of electrolysis.

Harbor Maintenance Dredging

The Corps maintenance contractor, HME, will be on site and ready to start July 15.
FYI: Inner Harbor dredging (Crossover thru Cow Point) will start 15 July (HME). They will focus on pinch points in the Crossover, North Reach and Hoquiam.

Business Development

The dry bulk agriculture business continues to be a life line for our marine terminals. In addition to export potash we are also working with interest in export soda ash facility. Since the cessation of log operations by PLS (reported last month) on September 1, we have been getting inquiries from a few suitors for the space.

PUGET SOUND PILOTAGE DISTRICT ACTIVITY REPORT

Jun-2020

The Board of Pilotage Commissioners (BPC) requests the following information be provided to the BPC staff **no**

Activity											
Total pilotage assignments:	458				Cancellations:	12					
Total ship moves:	446	Cont'r:	158	Tanker:	137	Genl/Bulk:	90	Other:	61		
Assignments delayed due to unavailable rested pilot	1					Total delay time:	0.75h				
2 pilot jobs:	30	Reason:	PSP GUIDELINES FOR RESTRICTED WATERWAYS								
Day of week & date of highest number of assignmen	Mon-June 1									25	
Day of week & date of lowest number of assignment	Tue-June 2									7	
Total number of pilot repositio	115										

Comp Days							
Beg Total -	3430	Call Backs (+)	22	Used (-)	92	Ending total	3360

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 (BPC, PSP, USCG, USACE, Port & similar)

Start Dt	End Dt	City	Group	Meeting Description	Pilot Attendees
1-May	12-Jun	Seattle	PSP	UTC	CAI, MOT
2-Jun	2-Jun	Seattle	PSP	REFMAN	CAJ, KEN, LOB, MCG, MYE, NIN
5-Jun	5-Jun	Seattle	PSP	UTC	KLA
8-Jun	8-Jun	Seattle	PSP	OTSC	BOU, KRI
12-Jun	12-Jun	Seattle	PSP	OTSC	BOU, KRI
15-Jun	19-Jun	Seattle	PSP	UTC	CAI, MOT
16-Jun	16-Jun	Seattle	PSP	OTSC	BOU, KRI
17-Jun	17-Jun	Seattle	BPC	TEC, BPC PREP	ANT, SCR
18-Jun	18-Jun	Seattle	BPC	BPC	ANT, SCR
19-Jun	19-Jun	Seattle	PSP	JTC	MCG
21-Jun	22-Jun	Seattle	PSP	UTC	COL, CAI, MOT
23-Jun	23-Jun	Seattle	PSP	GEN'L MBR	COL
23-Jun	23-Jun	Seattle	PSP	BOD	ANA, COL, CAI, MOT, NEW, SEM
24-Jun	30-Jun	Seattle	PSP	UTC	CAI
30-Jun	30-Jun	Seattle	PSP	UTC	COL

C. Other (i.e. injury, not-fit-for-duty status, earned time off)

Start Dt	End Dt	REASON	PILOT
1-Jun	30-Jun	Not fit for d	BEN
1-Jun	2-Jun	ETO	ANA, CAW, CAL, KEA
9-Jun	16-Jun	ETO	EME, HEN, JEN, ROU, SEY
23-Jun	30-Jun	ETO	ANT, CAI, MCG, MOT

Presentations

If requesting to make a presentation, provide a brief explanation of the subject, the requested amount of time for

- *Presentations may be deferred if prior arrangements have not been made.*
- *The Board may also defer taking action on issues being presented with less than 1 week notice prior to a schedule Board Meeting to allow adequate time for the Commissioners and the public to review and prepare for discussion.*

WA State Board of Pilotage Commissioners

Industry Update:
July 16, 2020 BPC Meeting

Vessel Arrivals and Assignments Continue to Drop

June YTD 2020 compared to June YTD 2019 comparison

- Container arrivals down 52; Bulkers/General/Other down 17
- Car Carriers and RoRo's down 41
- Passenger down 79 (no season = reduction of 464 assignments for the year)
- Tankers/ATB's down in June but up 20 YTD
- Grays Harbor is essentially flat though June

✓ *Assignments Down 4.4% in 2019 and Down 10.3% in 2020 so far*
✓ *PMSA opposed increase in pilots last July – see letter*

How many pilots would BPC license now before adjusting the number down?

PMSA Market Share Loss Report Still Circulating

- Recall Market Share Loss paper from PMSA in our June Industry Update
- Based on that report, a July 13th letter was sent from 52 local, state and national trade associations to Governor, Lt. Governor Kounalakis Legislature
- The letter outlined some actions that need to be taken (communicate, market, invest, assess regs and costs that divert cargo to less emission friendly routes, etc.)
- These conditions apply in the PNW as well

Southern Resident Killer Whale Measures

✓ ECHO Program voluntary slowdown in Haro/Boundary effective July 1st.
✓ ECHO establishing a new voluntary slowdown trial for outbound ships at Swiftsure Bank from August 1 to October 31.
✓ PMSA, Marine Exchange, Pilots assisting in getting the word out
✓ MANDATORY: Transport Canada implemented a Swiftsure Bank Interim Sanctuary Zone from June 1 to November 30, to prohibit vessel traffic in a portion of Swiftsure Bank (and off North Pender and Saturna Islands as per the Interim Order enacted under the Canada Shipping Act; traffic lanes are not impacted if vessels enter and exit the lanes at the western end.

West Seattle Bridge

✓ Found cracks in the Swing Bridge - think they've caught it early enough to fix
✓ Will start issuing placards for access (fewer than 160 for maritime…)

Wake up call to West Coast ports: Savannah now ag export leader

West Coast ports' market share has declined 19.4 percent since 2006, a concerning trajectory that puts port and logistic jobs at increasing risk.

By Patrick Burnson, Logistics Management

https://www.logisticsmgmt.com/article/wake_up_call_to_west_coast_ports_savannah_now_ag_export_leader

The Port of Savannah's proximity to major producers, direct access via road and rail, broad global network and responsiveness to shipper needs have recently made it the top port in the nation for the export of containerized agricultural goods. "Agriculture is a major driver for Georgia's economy, contributing $74 billion in annual economic benefit and nearly 400,000 jobs across the state," said Georgia Gov. Brian Kemp. "As this country's No. 1 port for the export of agricultural products, Savannah provides vital support for the state and nation, helping our farmers reach overseas buyers efficiently."

As noted in LM earlier this month, West Coast ports' market share has declined 19.4 percent since 2006, a concerning trajectory that puts port and logistic jobs at increasing risk, according to a new briefing paper released recently by the Pacific Merchant Shipping Association. Peter Friedmann, executive director of Agriculture Transportation Coalition (AgTC) noted that the cost-effective movement of goods is a key factor in the profitability of farm and processor operations. "Working with the leadership of the nation's international gateways, such as Port of Savannah, serves mutual interests of the port and ag exporters in growing cargo volumes," he added.

Supply chain shifts from China boost US Southeast, Gulf ports — CBRE

American Shipper

Focus on alternative sourcing a boon to states from Texas to Virginia

Mark Solomon Friday, July 10, 2020

U.S. Southeast and Gulf Coast seaports and industrial distribution hubs will be the prime beneficiaries of U.S. firms shifting supply chains from China due to disruptions from the coronavirus pandemic and higher tariffs from the U.S-China trade war, according to a report published Thursday by real estate and logistics services giant CBRE Inc.

In a statement, James Breeze, CBRE's global head of industrial and logistics research, said that while West Coast seaport fundamentals remain sound, the "top markets for growth will likely shift to the Southeast." Charleston, South Carolina; Savannah, Georgia; and Norfolk/Hampton Roads, Virginia, have three of the fastest-growing ports in the country. Perhaps unsurprisingly, Savannah, Greenville, South Carolina, and Charleston were the country's three fastest-growing logistics warehousing markets based on CBRE's measure of net absorption — the amount of leased space minus vacated space — as a percentage of existing inventory, Breeze said.

Walaszek of CBRE said the shifts were already in the works before President Donald Trump took office, and will only be accelerated by the trade war and the pandemic. He expects the trend to persist even if Trump loses his reelection bid and a vaccine or other treatment is discovered for COVID-19, the disease caused by the novel coronavirus.

With Whales at Record Numbers off the California Coast, Scientists Try to Help Ships Avoid Them

By Mukta Patil, Bay Nature

https://baynature.org/2020/07/01/with-whales-at-record-numbers-off-the-california-coast-scientists-try-to-help-ships-avoid-them/

The modeling shows collision avoidance by whales under three scenarios: decreasing avoidance with increasing vessel speed, constant 55 percent avoidance, and no avoidance. So on June 13, 2020, when biologists spotted at least **47 blue whales** in the span of an hour from a vantage point on the Farallon Islands, off the coast of San Francisco, they knew the whales were at risk.

About a dozen heavy ships – containers, tankers and bulk products ships – pass through the Farallones and Cordell Bank marine sanctuaries daily, en route to the San Francisco Bay, according to **John Berge, vice president of the Pacific Merchant Shipping Association** in the Bay Area and a member of the Greater Farallones National Marine Sanctuary Advisory Council. Berge said that ship traffic decreased about 7 percent in the sanctuaries from January to April 2019 to January-April 2020, from 1,126 ships to 1,045, and that he didn't have numbers for May and June but estimated a similar slight decrease.

PMSA

West Coast Trade Report

June 2020

First Glimpse at the Painful May TEU Numbers

No one expected May's container trade numbers to be anything but awful. And, judging from the port TEU tallies posted so far, it looks like no one will be disappointed. The most recent (June 8) outlook from the National Retail Federation's Global Port Tracker (GPT) expected container import traffic to be down 14.6% from last May. At least that was a more optimistic read than GPT's forecast a month earlier, when it was feared May's import traffic could be off as much as 20.4%.

So what are the early reporting ports telling us so far about May?

Along the U.S. West Coast, inbound loads at the five major ports we track were down 15.0% from a year earlier. Inbound loads through the Ports of Los Angeles and Long Beach in May went through a nausea-inducing teeter-totter. The number of loaded TEUs discharged at Long Beach was actually up by 7.6%, but down a dismal 29.4% across the road at Los Angeles. The difference partially reflected a shift of service by two carriers from LA to terminals at Long Beach. (This is why for statistical purposes we generally prefer to consider the two ports as a single maritime gateway.)

Together, the two San Pedro Bay ports handled 13.8% fewer loaded inbound TEUs than they had a year earlier. Elsewhere along the West Coast, the Port of Oakland reported that its inbound loads were down 14.6%, while the Northwest Seaport Alliance ports (Tacoma and Seattle) registered a 22.9% plunge in inbound loads.

North of the border in British Columbia, Vancouver eked out a 1.3% increase in inbound loads, but inbound loads tumbled by 36.7% at Prince Rupert.

East Coast ports appear to be faring no better. Savannah reports a 16.5% year-over-year decline in inbound loads. Virginia saw a 26.7% fall-off, while Maryland was down 23.5%.

Inbound loads in May at the Port of Houston were down by 7.1%.

On the **export** side of the ledger, loaded outbound TEUs were down 37.6% at Los Angeles but up 11.6% at Long Beach, leaving the San Pedro Bay down 17.0% from last May. Oakland posted a 10.7% year-over-year drop, and the NWSA ports witnessed a 15.5% slide from last May. Altogether, outbound loads through the Big Five USWC container ports were off by 15.6% from a year earlier. To the north, Vancouver eked out a 1.8% increase, but Prince Rupert saw a 16.3% decline. Elsewhere, Houston posted a 9.5% increase in outbound loads, but Maryland (-32.2%); Virginia (-18.1%); and Savannah (-3.6%) all reported declines.

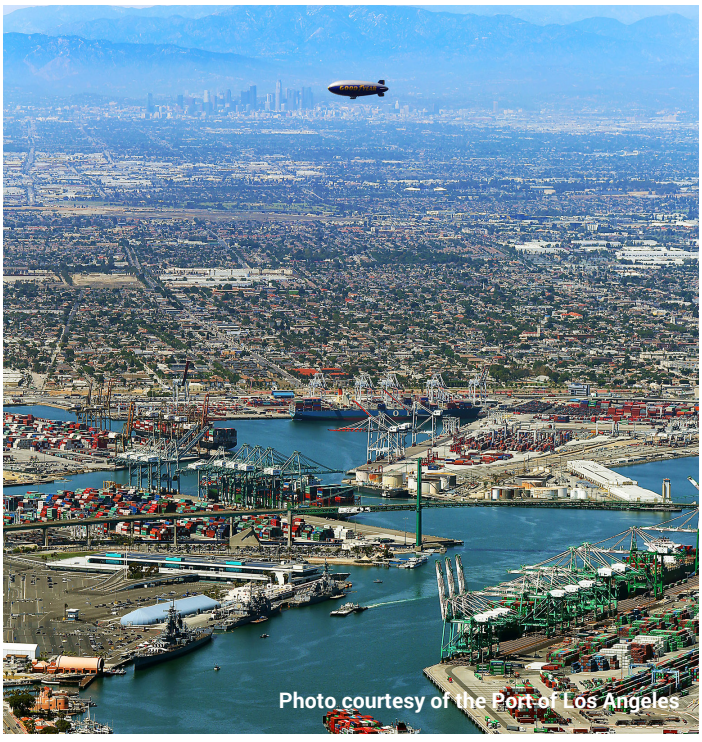


Photo courtesy of the Port of Los Angeles

Pacific Merchant Shipping Association
70 Washington Street, Suite 305, Oakland, CA 94607
510-987-5000 info@pmsaship.com

Parsing the April 2020 TEU Numbers

Please note: The numbers here are not derived from forecasting algorithms or the partial information available from U.S. Customs and Border Protection but instead represent the actual TEU counts as reported by the major North American seaports we survey each month. The U.S. mainland ports we monitor collectively handle over 90% of the container movements at continental U.S. ports. Unless otherwise stated, the numbers in this portion of our analysis do not include empty containers.

Import Traffic

With a few notable exceptions, all of the eighteen U.S. and Canadian ports whose import/export loaded TEU traffic this newsletter monitors showed declines in April from a year earlier. The outliers were the Port of Los Angeles, with a 2.6% gain (+9,366 TEUs); Maryland, up 5.3% (+2,274 TEUs); Vancouver, up 2.8% (+4,049 TEUs); and Prince Rupert, up 2.0% (+1,044 TEUs).

Aside from Los Angeles, import traffic was down at the other major U.S. West Coast (USWC) ports. Inbound loads at the Port of Long Beach slumped by 20.2% (-64,343 TEUs), leaving the two San Pedro Bay ports with a combined year-over-year fall-off of 8.1% (-54,977 TEUs). Inbound loads edged lower at Oakland by 0.9% (-699 TEUs) but tumbled by 13.9% (-15,660 TEUs) at the Northwest Seaport Alliance Ports of Tacoma and Seattle. Altogether, inbound loaded container traffic at the five major USWC ports was down 8.2% (-71,336 TEUs).

Things were not a whole lot better along the East Coast. The Ports of

Exhibit 1 April 2020 - Inbound Loaded TEUs at Selected Ports

	Apr 2020	Apr 2019	% Change	Apr 2020 YTD	Apr 2019 YTD	% Change
Los Angeles	370,111	360,745	2.6%	1,275,122	1,436,171	-11.2%
Long Beach	253,540	317,883	-20.2%	1,046,663	1,191,625	-12.2%
San Pedro Bay Totals	**623,651**	**678,628**	**-8.1%**	**2,321,785**	**2,627,796**	**-11.6%**
Oakland	80,003	80,702	-0.9%	298,477	307,286	-2.9%
NWSA	96,992	112,652	-13.9%	375,565	457,942	-18.0%
USWC Totals	**800,646**	**871,982**	**-8.2%**	**2,995,827**	**3,393,024**	**-11.7%**
Boston	11,546	12,247	-5.7%	47,896	47,888	0%
NYNJ	284,074	297,825	-4.6%	1,178,673	1,203,674	-2.1%
Maryland	45,258	42,984	5.3%	167,961	172,840	-2.8%
Virginia	100,310	119,266	-15.9%	405,882	441,420	-8.1%
South Carolina	82,899	87,675	-5.4%	337,762	346,324	-2.5%
Georgia	166,679	175,661	-5.1%	672,482	721,298	-6.8%
Jaxport	23,461	27,094	-13.4%	98,916	113,319	-12.7%
Port Everglades	23,164	32,308	-28.3%	107,867	115,906	-6.9%
Miami	28,943	32,831	-11.8%	135,611	142,932	-5.1%
USEC Totals	**766,334**	**827,891**	**-7.4%**	**3,153,050**	**3,305,601**	**-4.6%**
New Orleans	9,922	10,527	-5.7%	45,817	43,950	4.2%
Houston	100,034	100,627	-0.6%	383,306	392,502	-2.3%
USGC Totals	**109,956**	**111,154**	**-1.1%**	**429,123**	**436,452**	**-1.7%**
Vancouver	149,217	145,168	2.8%	518,365	575,504	-9.9%
Prince Rupert	52,730	51,686	2.0%	187,457	184,054	1.8%
BC Totals	**201,947**	**196,854**	**2.6%**	**705,822**	**759,558**	**-7.1%**
US/BC Totals	**1,878,883**	**2,007,881**	**-6.4%**	**7,283,822**	**7,894,635**	**-7.7%**
US Total	**1,676,936**	**1,811,027**	**-7.4%**	**6,578,000**	**7,135,077**	**-7.8%**
USWC/BC	**1,002,593**	**1,068,836**	**-6.2%**	**3,701,649**	**4,152,582**	**-9.5%**

Source Individual Ports

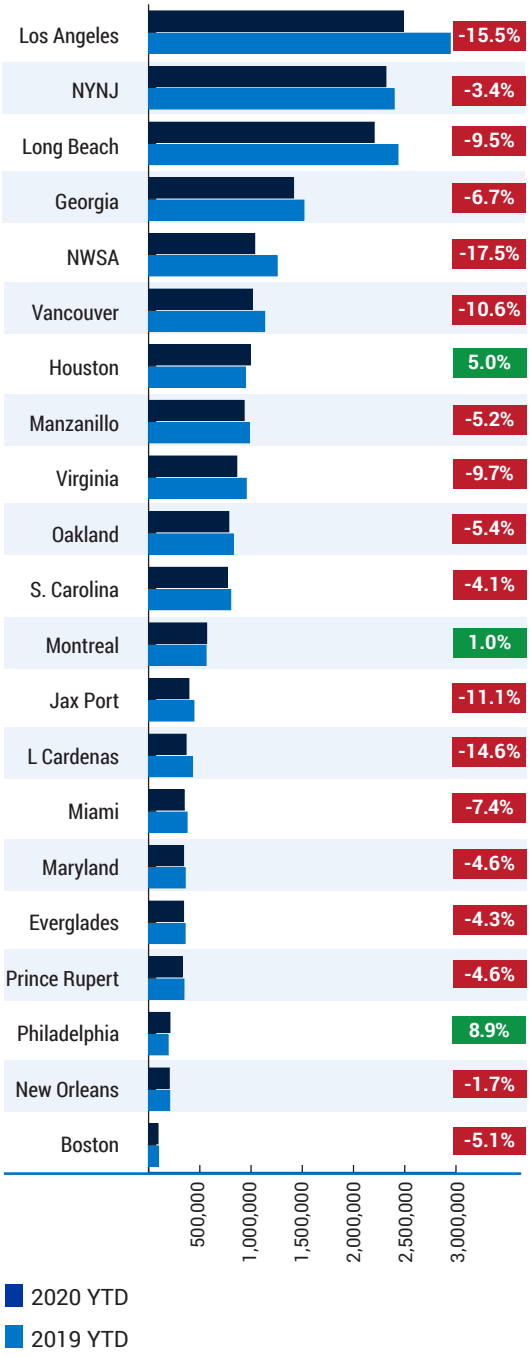
Parsing the April 2020 Loaded TEU Numbers Continued

Exhibit 2 April 2020 - Outbound Loaded TEUs at Selected Ports

	Apr 2020	Apr 2019	% Change	Apr 2020 YTD	Apr 2019 YTD	% Change
Los Angeles	130,321	155,533	-16.2%	534,142	602,005	-11.3%
Long Beach	102,502	123,804	-17.2%	482,126	477,815	0.9%
San Pedro Bay Totals	**232,823**	**279,337**	**-16.7%**	**1,016,268**	**1,079,820**	**-5.9%**
Oakland	82,164	79,291	3.6%	322,068	310,680	3.7%
NWSA	66,955	81,305	-17.6%	281,314	306,630	-8.3%
USWC Totals	**381,942**	**439,933**	**-13.2%**	**1,619,650**	**1,697,130**	**-4.6%**
Boston	5,354	7,754	-31.0%	24,599	25,980	-5.3%
NYNJ	97,312	131,311	-25.9%	466,381	486,540	-4.1%
Maryland	15,523	20,940	-25.9%	77,383	76,032	1.8%
Virginia	71,158	85,378	-16.7%	322,081	329,250	-2.2%
South Carolina	56,611	73,295	-22.8%	272,428	276,834	-1.6%
Georgia	120,852	129,726	-6.8%	505,539	514,442	-1.7%
Jaxport	31,524	42,353	-25.6%	152,083	167,675	-9.3%
Port Everglades	20,119	36,084	-44.2%	122,028	139,761	-12.7%
Miami	24,964	30,719	-18.7%	126,034	139,145	-9.4%
USEC Totals	**443,417**	**557,560**	**-20.5%**	**2,068,556**	**2,155,659**	**-4.0%**
New Orleans	20,076	24,545	-18.2%	98,590	95,502	3.2%
Houston	91,808	106,654	-13.9%	436,416	399,370	9.3%
USGC Totals	**111,884**	**131,199**	**-14.7%**	**535,006**	**494,872**	**8.1%**
Vancouver	91,665	97,394	-5.9%	347,506	385,133	-9.8%
Prince Rupert	22,526	20,271	11.1%	67,161	66,936	0.3%
British Columbia Totals	**114,191**	**117,665**	**-3.0%**	**414,667**	**452,069**	**-8.3%**
US/Canada Total	**1,051,434**	**1,246,357**	**-15.6%**	**4,637,879**	**4,799,730**	**-3.4%**
US Total	**937,243**	**1,128,692**	**-17.0%**	**4,223,212**	**4,347,661**	**-2.9%**
USWC/BC	**496,133**	**557,598**	**-11.0%**	**2,034,317**	**2,149,199**	**-5.3%**

Source Individual Ports

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



Source: Individual Ports

Parsing the April 2020 Loaded TEU Numbers Continued

New York/New Jersey handled 4.6% (-13,751 TEUs) fewer inbound loads than in April 2019. Charleston sustained a 5.4% (-4,776 TEUs) slump, and Savannah's inbound laden traffic slid by 5.1% (-8,982 TEUs). More precipitous were the year-over-year declines reported by Port Everglades (-28.3% or -9,144 TEUs), Virginia (-15.9% or -18,956 TEUs), and Miami (-11.8% or -3,888 TEUs). The nine East Coast ports we regularly track ended April with a 7.4% (-61,557 TEUs) fall-off from a year earlier.

Along the Gulf Coast, Houston recorded a 0.6% (-593 TEUs) slip in inbound loads from April of 2019, while New Orleans saw a 5.7% (-605 TEUs) decline, leaving the two Gulf Coast ports we track with a combined fall-off of 1.1% (-1,198 TEU).

The two British Columbia ports we monitor saw improved import numbers in April, with Vancouver up 2.8% (+4,049 TEUs) and Prince Rupert up by 2.0% (+1,044 TEUs). Combined import traffic through the two Canadian ports rose 2.6% (+5,093 TEUs).

In market share terms, the Big Five USWC ports saw their share of inbound loads discharged at the U.S. mainland ports we track slide in April to 47.7% from 48.1% a year earlier.

USWC share of inbound loads through the seven major U.S. and Canadian Pacific Coast ports fell to 79.9% from 81.6% last April. On a year-to-date basis, the USWC share of the binational traffic in outbound loads slipped to 80.9% from 81.7%.

In its latest forecast update (June 8), Global Port Tracker estimated that the thirteen U.S. ports it monitors would handle 1.61 million loaded import TEUs in April, which would be 7.8% down from a year earlier. Only a month earlier, the GPT pegged April traffic to be down to 1.51 million TEUs, which would have been a 13.4% decline. Based on what those ports have now reported, inbound loads at those thirteen ports totaled 1,610,201 TEUs in April, which was down 7.7% from a year earlier.

Export Traffic

The Ports of Long Beach and Los Angeles both experienced sharp drops in export loads in April. At the Port of LA, outbound loads tumbled by 16.2% (-25,212 TEUs) from the previous April, while Long Beach posted an even deeper drop of 17.2% (-21,302 TEUs). Together, outbound loads at the two Southern California ports were down by 16.7% (-46,514 TEUs).

Outbound loads in April rose by 3.6% (+2,873 TEUs) at the Port of Oakland but dropped by 17.6% (-14,350 TEUs) at the two NWSA ports. That left outbound loads through the Big Five USWC ports in April down by 13.2% (-57,991 TEUs) from the same month a year earlier.

The numbers were worse along the Atlantic Seaboard, where export counts were uniformly down, mostly by double digits. Outbound loads from PNYNJ plummeted by 25.9% (-33,999 TEUs) from a year earlier, while Charleston shipped 16,684 fewer loaded TEUs (-22.8%). Outbound loads were also down: by 15,965 TEUs (-44.2%) at Port Everglades; by 14,220 TEUs (-16.7%) at Virginia; by 8,874 TEUs (-6.8%) at Savannah; and by 5,755 TEUs (-18.7%) at Miami. Coastwise, outbound loads at the nine USEC ports we normally follow were down 20.5% (-114,143 TEUs).

The two Gulf Coast ports we monitor saw outbound loads fall, by 13.9% (-14,846 TEUs) at Houston and by 18.2% (-4,469 TEUs) at New Orleans. Up in British Columbia, outbound loads at Vancouver fell by 5.9% (-5,729 TEUs) but increased at Prince Rupert by 11.1% (+2,255 TEUs).

Altogether, outbound loads from the sixteen U.S. mainland and two British Columbia ports reporting April TEU figures were down 15.6% (-194,923 TEUs) from last April.

The Big Five USWC ports saw their share of outbound loads sailing from the U.S. mainland ports we were able to track in April actually increased to 40.8% from 39.0% a year earlier.

However, the USWC share of outbound loads through the seven major U.S. and Canadian Pacific Coast ports fell to 77.0% from 78.9% last April.

Weights and Values

Even though the TEU is the shipping industry's preferred unit of measurement, we offer two alternative metrics—the declared weight and value of the goods contained in those TEUs—in hopes of further illuminating recent trends in the container trade along the USWC. For the most part, these numbers contain little good news for USWC port officials.

Parsing the April Loaded TEU Numbers Continued

Exhibit 4 USWC Ports Shares of Worldwide U.S. Mainland, April 2020

	Apr 2020	Mar 2020	Apr 2019
Shares of U.S. Mainland Ports Containerized Import Tonnage			
LA/LB	26.8%	21.7%	25.9%
Oakland	4.3%	4.0%	4.0%
NWSA	4.9%	4.9%	5.4%
Shares of U.S. Mainland Ports Containerized Import Value			
LA/LB	34.0%	28.2%	33.0%
Oakland	3.8%	3.7%	3.6%
NWSA	6.2%	6.7%	7.0%
Shares of U.S. Mainland Containerized Export Tonnage			
LA/LB	20.8%	20.9%	21.8%
Oakland	7.3%	6.5%	6.3%
NWSA	7.8%	7.3%	7.8%
Shares of U.S. Mainland Conatainerized Export Value			
LA/LB	21.6%	20.7%	21.8%
Oakland	8.1%	7.0%	6.1%
NWSA	4.4%	4.0%	4.2%

Source: U.S. Commerce Department.

Exhibit 5 USWC Ports Shares of U.S. Mainland Trade With East Asia, April 2020

	Apr 2020	Mar 2020	Apr 2019
Shares of U.S. Mainland Ports' East Asian Container Import Tonnage			
LA/LB	44.6%	41.9%	43.7%
Oakland	4.9%	5.0%	4.6%
NWSA	7.2%	8.7%	8.4%
Shares of U.S. Mainland Ports' East Asian Container Import Value			
LA/LB	51.5%	48.5%	51.0%
Oakland	4.6%	4.8%	4.4%
NWSA	8.9%	11.2%	10.7%
Shares of U.S. Mainland Ports' East Asian Container Export Tonnage			
LA/LB	33.6%	37.4%	35.6%
Oakland	10.7%	10.5%	9.4%
NWSA	12.5%	12.7%	12.8%
Shares of U.S. Mainland Ports' East Asian Container Export Value			
LA/LB	40.2%	42.9%	43.1%
Oakland	13.8%	12.8%	10.5%
NWSA	8.1%	8.3%	8.5%

Source: U.S. Commerce Department.

Exhibit 4: USWC Ports and the Worldwide Container Trade. Exhibit 4 features some generally unexpected numbers on containerized imports (regardless of point of origin) entering mainland U.S ports. The two San Pedro Bay ports actually saw their combined percentage of containerized import tonnage increase in April to 26.8% from 25.9% a year earlier. The two also experienced a bump in their joint share of the declared value of containerized imports to 34.0% from 33.0%. Meanwhile, the Port of Oakland's share of import tonnage rose to 4.3% from 4.0% a year ago, with its share of import value also edging up to 3.8% from 3.6%. Further north, the two NWSA ports saw their shares of import tonnage decline to 4.9% from 5.4% and to 6.2% from 7.0% in value terms. On the export side, the Southern California ports continued to shed market share, whether measured in tonnage or dollar value. Oakland fared much better with significant year-over-year gains in both export value and export tonnage. The NWSA ports' export tonnage share remained unchanged, but their share of export value was up from last April.

Exhibit 5: USWC Ports and the East Asia Trade. The figures on containerized imports arriving at U.S. mainland ports from East Asia, which normally cause USWC port officials to wring their hands, brought some relief in April. The Ports of Los Angeles and Long Beach saw their combined share of containerized import tonnage from East Asia increase to 44.6% from 43.7% a year earlier. At the same time, their collective share of containerized import value rose to 51.5% from 51.0%. Elsewhere along the coast,

Parsing the April Loaded TEU Numbers Continued

Oakland improved on both measures, while the NWSA ports saw declines in both import value and tonnage shares.

On the outbound side, the San Pedro Bay ports' share of containerized export tonnage to East Asia slipped to 33.6% from 35.6% a year earlier, while their combined share of the value of those containerized imports dropped to 40.2% from 43.1%. Oakland experienced sizable year-over-year bumps in both its import tonnage and value tonnage shares. However, the two NWSA ports saw their shares of U.S. containerized exports headed to the Far East decline in both tonnage and value terms.

Soybeans: What Is and Isn't in the Box

Sometimes we see things in the media which, while technically accurate, are also grossly misleading. For example, a May 27 report in the venerable & esteemed Journal of Commerce celebrated how well the trade in containerized soybean exports from the United States to China had been doing.

"Soybean exports to China had been crippled by 25 percent tariffs, plunging 97.8 percent in Q1 2019 from the first quarter of 2018. But containerized soybean exports to China came roaring back in the 2020 first quarter, increasing 1,329 percent year over year. Measured in actual container volumes, US farmers exported only 121 TEU of soybeans to China in Q1 2019 versus 1,727 TEU this year, according to PIERS."

Fantastic, right?

Well, no.

Popping the prosecco over a jump in containerized soybean exports to China would be justified…if you only care about exports shipped in metal boxes.

What might have dampened the Journal's revelry over that supposed first-quarter surge in U.S. soybean exports to China is the fact that only a miniscule share of the U.S. soybean export trade normally travels in containers to China, or most anywhere else overseas.

According to data from the U.S. Census Bureau's Foreign Trade Division—the federal government's official minders of the nation's foreign trade statistics—a mere 0.9% of all of the 2.24 billion metric tons of soybeans America shipped to China over the last decade travelled in containers. The rest went in bulk carriers, and there the export statistics tell a different story.

Trade figures from both the Census Bureau and the U.S. Department of Agriculture's own in-house bean counters show that the value of America's soybean exports to China in the first quarter of this year actually fell to $1.03 billion this year from $1.70 billion last year. That was hardly surprising given a first quarter fall-off in U.S. soybean shipments to China of 41.7%, to 2,820,083 metric tons from 4,833,310 metric tons.

For the record, the trade did not appreciate by much in April. Soybean exports to China through April of this year were down 40.3% by weight and 38.0% by value.

All in all, not really grounds for singing and dancing.

Of the American soybeans that were actually shipped to China in this year's first four months, the Port of Kalama was the leading export gateway, with 796,239 metric tons. That put the Washington State river port slightly ahead of the Port of New Orleans, which handled 781,137 metric tons of the nation's soybean shipments to China through April. But Kalama's volume was off 26.4% from last year. Other Pacific Northwest ports that normally share in the soybean trade likewise saw year-over-year declines: Vancouver, Washington was down 80.1%, Seattle/Tacoma were jointly off by 11.0%. The Port of Longview, Washington was entirely shut out of the trade through April after having shipped 526,873 metric tons of soybeans to China in the first four months of last year.

Although there have been reports of Chinese importers placing sizable orders for future delivery, the current tenor of the rhetorical exchanges between the White House and Beijing shouldn't be warming the hearts of U.S. soybean growers.

The Ro-Ro Trade in Teslas

The pandemic took a big piece out of exports of electric vehicles from the Port of San Francisco's Pier 80. Last year, Tesla, whose only U.S. assembly plant is in nearby Fremont, shipped $5.85 billion in autos via the terminal. Through April of this year, the roll-on/roll-off trade in Teslas was down 31.4% from the same months last year. Tesla's plant was temporarily shut down by state and local health agencies for several weeks during the spring.

Parsing the April Loaded TEU Numbers Continued

Census Bureau export data indicate that no shipments occurred in the months of March and April. Tesla exports in this year's first two months had been running slightly ahead of January-February of last year.

The principal destinations this year have been ports in Belgium ($720.4 million); the United Kingdom ($270.6 million); South Korea ($205.5 million); Taiwan ($87.9 million); and China ($69.2 million).

Who's #1?

Because the box counters at the Port of New York/ New Jersey are agonizingly slow in posting their latest TEU counts, April is the most recent month for which comparable statistics are available for ranking the nation's three busiest ports. So, for the month of April, PNYNJ eclipsed the Port of Long Beach as the nation's second busiest container port but still trailed the Port of Los Angeles for the title of America's top container port.

In terms of total container traffic (loaded TEUs as well as empties), April saw 688,999 TEUs cross the docks at LA, easily exceeding the 559,929 TEUs handled by PNYNJ and the 519,730 TEUs moved through the Port of Long Beach.

For those who insist that only loaded boxes should determine the ranking, Los Angeles was the country's busiest container port in April with 500,432 loaded TEUs as opposed to 381,386 TEUs at PNYNJ and 356,042 TEUs at Long Beach.

The YTD totals (loads + empties) in the first four months of the year showed Los Angeles in the lead with 2,488,748 TEUs, with PNYNJ (2,316,907 TEUs) in second place followed by Long Beach (2,202,650 TEUs).

Jock O'Connell's Commentary:

Market Share Loss or Regression to the Mean?

For some time now, this newsletter has taken heat for confirming statistically what everyone knew intuitively—that U.S. West Coast seaports have been losing a lot of business to other maritime gateways in North America. So, it is with grateful relief that we now see at least one prominent USWC port director not only publicly acknowledging the obvious but also offering a maritime outlook that departs sharply from the customary forecasts of growth never-ending.

At a June 10 press conference, Gene Seroka, executive director of the Port of Los Angeles, detailed the abrupt downturn in container traffic through his port and the neighboring Port of Long Beach this year. He then spoke of the twenty percent loss of market share the two San Pedro Bay ports had experienced over the past eighteen years. But then, in contrast to previous statements about fighting to regain lost market share, Seroka estimated his port "will have a permanent loss of 15% of our imports that won't return due to the trade policies."

It was an ambiguous concession, to say the least. Attributing the deficit in container traffic to trade policies sidestepped the fact that decline in market share had begun long before President Trump came to office. It was also unclear whether Seroka was considering any lasting effects the COVID-19 pandemic might have on shifting supply chains. As a lengthy Wall Street Journal analysis recently pointed out, many companies are reexamining their continued reliance on foreign and especially Chinese manufacturers. Post-COVID supply chains could emphasize resilience over efficiency, much like U.S. cargo owners once diversified their use of ports-of-entry to minimize over-reliance on a few.

Commentary Continued

How bad has it been?

The total number of TEUs handled at the Ports of Los Angeles and Long Beach in May (1,209,870) was the lowest for a May since the bottom of the Great Recession in 2009, when the ports' throughput was 994,383 TEUs. On a year-to-date basis the two ports have handled 5,901,269 TEUs, the worst January-May total since 2015, when the ports were emerging from a lengthy labor slowdown.

As **Exhibit A** shows, total TEU traffic through the San Pedro Bay ports during the first five months of each year since 2000 had been growing both before and after the Great Recession. While not an entirely uplifting picture, neither is it altogether discouraging. Until the pandemic arrived, total container volumes had been gradually rising since 2009, when the recession bottomed out.

The problem, though, was what wasn't showing up in these numbers. What troubled and continues to trouble USWC maritime leaders has been the increasing number of TEUs that were being shipped through ports elsewhere in North America. As **Exhibit B** makes clear, those numbers—especially on the all-important transpacific import trade—were enormous. And the cost of those lost containers has been equally daunting. By Seroka's estimates, the diversions deprived his port of $2 billion a year in lost revenue and the Southern California region of 200,000 jobs annually.

Exhibit A

Total May YTD TEU Traffic via San Pedro Bay: 2000-2020

Source: Ports of Los Angeles and Long Beach

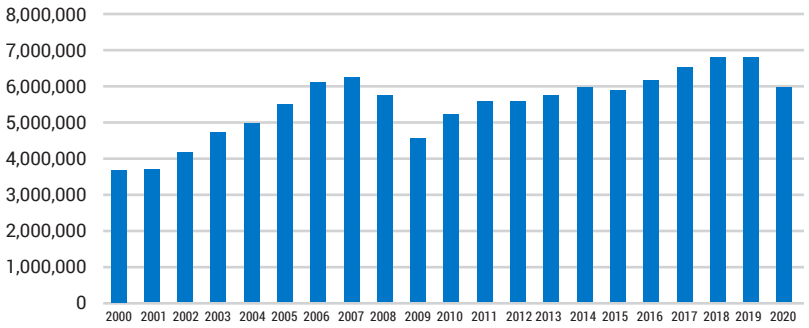
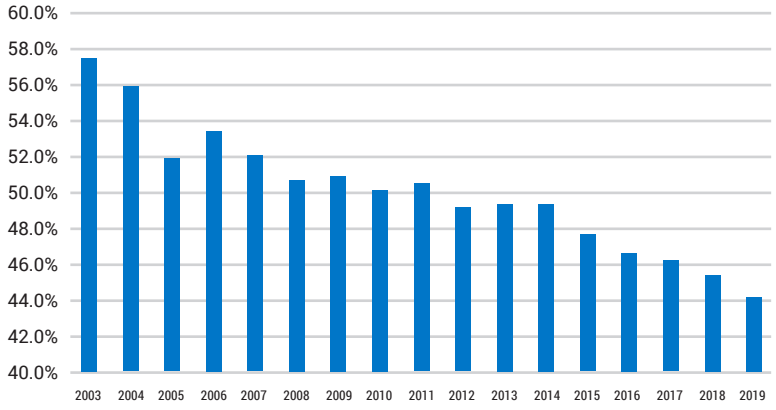


Exhibit B

San Pedro Bay Ports' Share of U.S. Containerized Import Tonnage from East Asia: 2003-2019

Source: U.S. Commerce Department



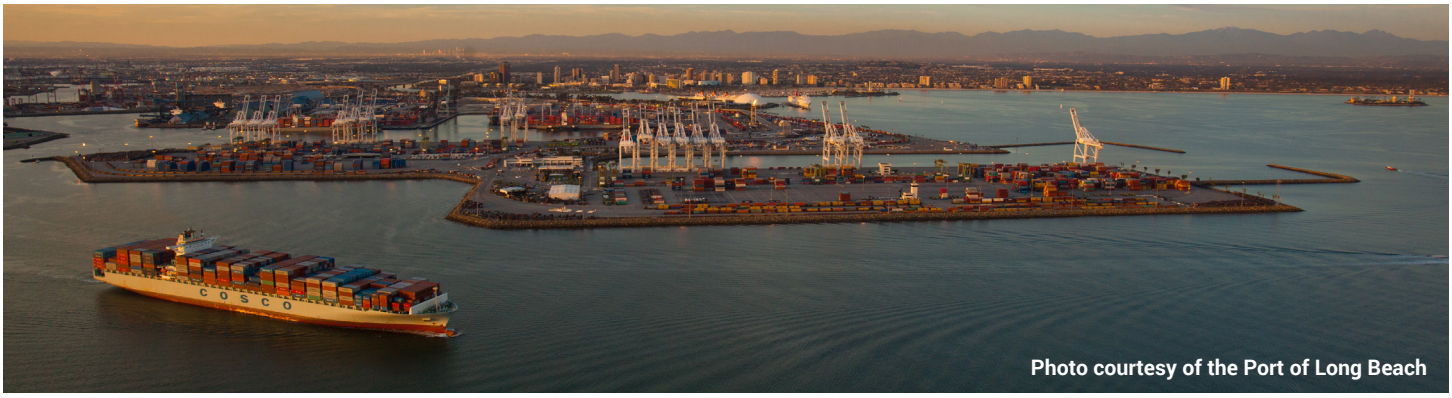


Photo courtesy of the Port of Long Beach

Commentary Continued

Why the decline in market share?

Explanations for the erosion of market share usually point to several factors. Among those cited in a Pacific Merchant Shipping Association study released earlier this month are: (a) the generally higher costs of doing business in California; (b) the specific-to-California operational burdens inflicted by state and regional environmental regulators; (c) the migration of manufacturing operations from Northeast Asia and particularly from China to Southeast Asia and even into the Indian Ocean littoral that is resulting in more U.S. imports arriving at East and Gulf Coast ports via Suez; and (d) occasionally troubled labor-management issues.

Some editorial pundits, though, prefer to finger the International Longshore and Warehouse Union as the chief villain. To be sure, labor-management disputes along the West Coast have sometimes led to costly disruptions in trade and have sullied the reputation of USWC ports as reliable links in global supply chains. But, while heaping most of the blame on the ILWU may be understandably satisfying for members of the Fourth Estate who feel aggrieved that those they regard as mere manual laborers probably earn more and doubtless enjoy greater job security than they do, it is nonetheless hard to see how a less combative workforce would have prevented the downward drift in market share. Other things were going on.

Since treatment must follow from diagnosis, let's consider what has happened to the transpacific trade in different light.

In a long-term context, the USWC ports' declining share of the transpacific import trade can be seen as essentially a regression to a historical mean. Up until the mid-1980s, the majority of America's maritime trade was channeled through East and Gulf Coast ports. There were at least two particularly good reasons for that. First, most Americans—as well as the businesses that employed them—were located east of the Mississippi. Even though California had surpassed New York as America's most populous state by 1970, only 17.1% of Americans resided in the Western states, which collectively accounted for barely one-fifth of the nation's gross domestic product. Second, most of America's maritime trade involved Europe, the Middle East, and the Atlantic and Gulf Coasts of South America. As Marc Levinson observed in "The Box", his classic work on the history of containerization: "As late as 1966, nine of the ten largest maritime routes for U.S. international trade passed through ports on the East Coast or the Gulf, and only one touched the West Coast."

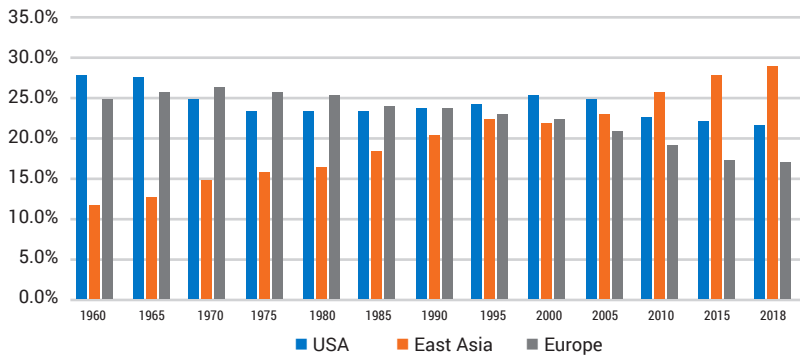
Today, most Americans and the majority of the country's goods-producing industries continue to dwell in the eastern half of the country. Over the past fifty years, the South has emerged as the country's fastest growing region with nearly 40% of the nation's population and over 35% of its economic output.

But the flow of America's maritime trade has changed dramatically in response to economic developments abroad. In 1960, Japan, South Korea, Taiwan, and the other nations comprising the Asia-Pacific region accounted for just 11.8% of world gross domestic product, according to World Bank data. Europe's share that year was 25.6%. The USA accounted for a 27.9% share.

As **Exhibit C** shows, the rapid growth of Asia-Pacific economies based on export-driven economic development modes rapidly shifted America's maritime trade from the Atlantic to the Pacific. To be sure, there had always been some volume of trade between the Far East and America that filtered through USWC ports. But once Japan's postwar recovery, based on an export-driven model, took hold, things quickly changed. Emulating Japan's export-

Exhibit C **Regional Shares of Global GDP: 1960-2018**

Source: World Bank



Commentary Continued

driven development model, South Korea and Taiwan emerged by the mid-1980s as major exporting powers, while Hong Kong and Singapore established themselves as burgeoning entrepôts of maritime trade.

Geography, which had formerly worked to isolate USWC ports from the main channels of U.S. foreign trade, rapidly became an asset.

Physical proximity to Asia's emergent economies was not the only advantage USWC ports enjoyed. Over the course of the 20th century, ports along the Western states had acquired a maritime infrastructure that was more extensive than the needs of private commerce alone would have justified. That was because of the unusual requirements imposed on the ports by a single major customer—the United States military.

Ever since America defeated Spain in 1898 and acquired the Philippines, supporting American military operations throughout the Pacific has been a primary mission for dozens of West Coast ports. Post World War II commercial shipping may have remained largely a transatlantic activity well into the 1980s. But supplying American military operations throughout the Pacific could hardly depend on a logistical system that relied chiefly on East Coast ports to ship munitions and supplies from American factories to forces in the Pacific.

Instead, the imperatives of supporting military operations during the Korean and Vietnam Wars ensured that West Coast port infrastructure would not only be maintained but would also be equipped with novel technologies.

As Marc Levinson relates the story in "The Box": "The explosion of port construction on the Pacific Coast, starting in the 1950s, had no counterpart on the other side of the country." One of the key developments occurred in 1967, when the U.S. Army hired Malcom McLean to build and operate a new port at Cam Ranh Bay. McLean, of course, was famous as the father of containerization, and not surprisingly helped establish a containerized service linking West Coast ports with Vietnam. Perhaps fittingly, the first container ship to arrive at Cam Ranh Bay was the *Oakland* with 609 25-foot containers carrying as much cargo as could be carried on ten average breakbulk ships hauling military freight to Vietnam.

The rise of Japan and the so-called Four Asian Tigers in the 1970s and 1980s generated growing volumes of transpacific container traffic, but even those volumes would be eclipsed by China's entry into the global trading system. When Chinese leader Deng Xiaoping abandoned Maoist doctrines in 1978 and embraced new, often experimental approaches to economic development, China's share of global GDP was a trifling 1.1%, equivalent to the Netherlands' current share of global GDP.

In the last two decades of the 20th century, Japan remained the focus of U.S. trade policy in the Pacific. Remarkably, it was not until 2005 that the annual Economic Report of the President first provided a separate line item for trade with China. But by then, China was the source of 14.5% of all U.S. imports. And with double-digit rates of economic expansion, its outsized role in the global economy and as a source of manufactured goods would soon become abundantly obvious.

By 2000, 35.0% of all U.S. imports arrived from the Asia-Pacific region, while 24.8% came from Europe. By 2017, the last normal (pre-tariff war) year, 39.9% of U.S. imports originated in the Asia-Pacific region, while 25.5% from came from Europe.

So what does an East or Gulf Coast port do to contend with a new world in which transatlantic trade offered modest growth prospects? Sure, business was good, but the action was definitely somewhere else. And, although the population of the states comprising the western United States has increased by approximately 125% over the past fifty years, it is still the case that the majority of Americans live east of the Rockies as does the bulk of the nation's manufacturing base. Regionally, the South has emerged as the most dominant region of the country, followed then by the West as the roles of the Northeast and Midwest declined.

Given the rising volumes of trade on the lucrative transpacific routes, it is little wonder that ports on the East and Gulf Coasts as well as in British Columbia coveted a piece of the action, especially after the lockdown of USWC ports in 2002 prompted doubts about the reliability of those ports. But there were imposing physical barriers to siphoning off cargos from West Coast

Commentary Continued

ports. A nearly century-old set of locks at Panama was a chokehold, severely limiting the size of ships that could transit the isthmus at a time when ocean carriers were building larger and larger vessels. Unless they were going to sail the long way around through Suez, there was no way 10,000-15,000 TEU vessels were going to get from Ningbo to New York.

What started to flip the balance of trade, what truly enabled implementation of the so-called Four Corners Strategy was the 2005 vote by the Panamanian electorate to construct a more capacious set of locks able to accommodate vessels significantly larger than the 5,000-TEU Panamax freighters that had long constrained the growth of all-water shipping between the East and Gulf Coast ports and the markets of East Asia.

As construction of the new locks got underway, port officials on the respective coasts reacted in different ways. To USWC leaders, the transpacific trade was regarded as an entitlement, a line of business they owned but were cavalier in defending. After all, what was there really to worry about? A 2005 report by Drewry Shipping Consultants on the likely impact of the canal expansion on shipping had found that, even ten years after the new locks opened, most East ports would still lack the facilities to accommodate Post-Panamax vessels.

So, while public officials along the West Coast at least initially remained smugly confident, port directors along the East and Gulf Coast ports enterprisingly turned to their political allies in state capitals and in Congress to finance tens of billions of dollars in port expansion projects.

While East and Gulf Coast ports, aided by the Army Corps of Engineers, assiduously embarked on scores of major projects to widen and deepen channels, shore up wharfage, establish new road and rail connections to the docks, and even elevate a major bridge, West Coast ports mounted an astoundingly impotent “Beat the Canal” public relations campaign which never featured a coherent strategy. Worse, while East and Gulf Coast ports enjoyed the support of state and local authorities, West Coast port directors were swamped by a seemingly unending blizzard of restrictive regulations imposed by lawmakers largely indifferent to how goods get from here to there.

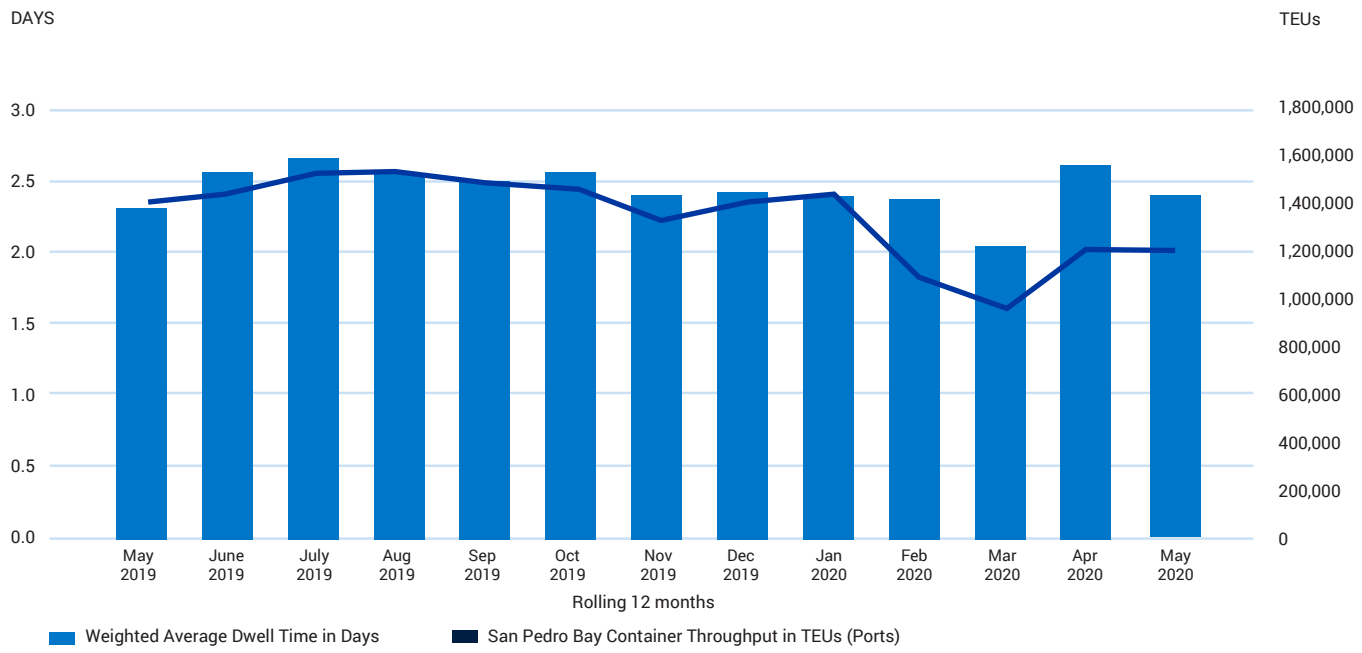
It wasn’t a fair fight.

Stir in an occasionally obstreperous longshore union, and you have a sure-fire recipe for market share loss.

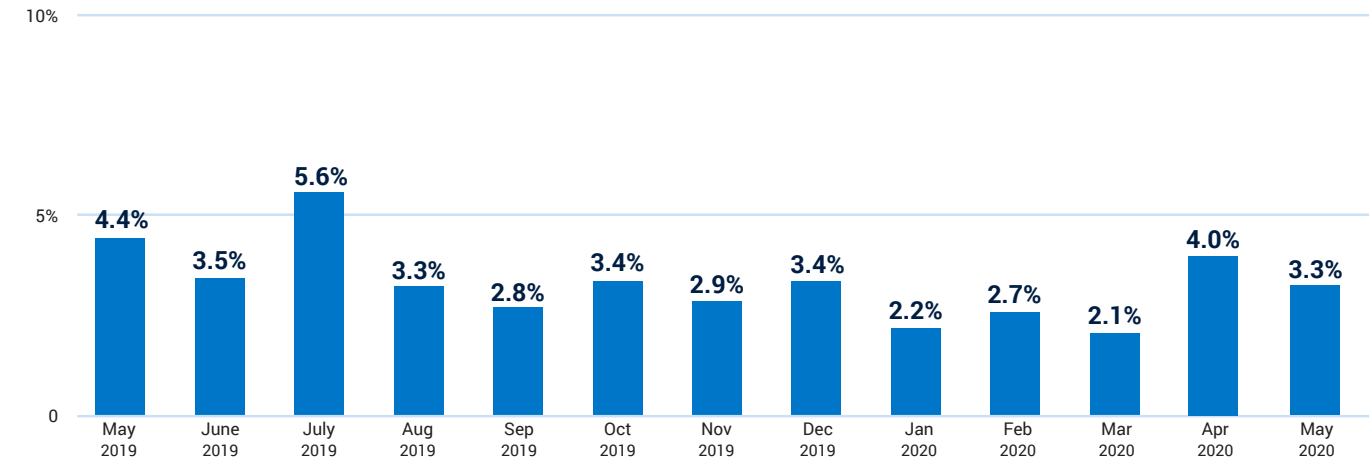
Disclaimer: *The views expressed in Jock’s commentaries are his own and may not reflect the positions of the Pacific Merchant Shipping Association.*

Dwell Time Down in May

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



Dwell Time in Days % > 5 Days



STATE OF WASHINGTON
BOARD OF PILOTAGE COMMISSIONERS
2901 Third Avenue, Suite 500 | Seattle, Washington 98121 | (206) 515-3904 | www.pilotage.wa.gov

MEMORANDUM

TO: Board of Pilotage Commissioners (BPC)

FROM: BPC Staff – Jolene Hamel and Jaimie Bever

DATE: 16 July 2020

SUBJECT: Foreign-Flagged Yacht License Requirements – Staff Recommendations

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Introduction

At the May 21, 2020 Board Meeting, a discussion arose regarding master license requirements for foreign-flagged yachts and whether the BPC is required to only accept licenses at the vessel tonnage appropriate to the license level. The following research highlights the findings regarding common practices in tonnage vs. license level for Washington State and for other west coast states. As part of this analysis, the staff concludes this memo with a recommendation regarding licensure of the master as part of the exemption process.

Pilotage Exemptions

Washington State exemptions from pilotage are divided into two types – passenger vessels and yachts:

- Foreign Flag Passenger Vessels License Requirements
  WAC 363-116-360 Exempt Vessels requires appropriate license-to-vessel size on Passenger Vessels. See WAC language below:
  "Some vessels that are not automatically exempt may apply for a Board-approved exemption (including payment of a fee) as provided in the RCW. These include:
  1. Any foreign flag small passenger vessel not more than 1,300 GT (ITC) and not more than 200 feet in overall length, is manned by US-licensed deck and engine officers appropriate to the size of the vessel with merchant mariner credentials issued by the U.S.C.G. or Canadian deck and engine officers with Canadian-issued certificates of competency appropriate to the size of the vessel, and is operated exclusively in the waters of the Puget Sound Pilotage District and lower B.C."[1]
- BPC Foreign Flag Yachts License Requirements

[1] https://apps.leg.wa.gov/WAC/default.aspx?cite=363-116-360

A license-level requirement is not included for yachts. See WAC language below:

2. Any foreign flag yacht not more than 1,300 GT (ITC) and not more than 200 feet in overall length.
    - A Board-approved exemption granted to a yacht is valid in both Puget Sound and Grays Harbor Pilotage Districts.
    - A yacht that engages in trade (carrying cargo or passengers for a fee) is not considered a yacht for the purpose of determining eligibility for a Board-approved exemption."[2]

Both Pacific Yacht Management (PYM) and AIG Insurance have confirmed to BPC staff that the majority of US flag private yachts are not required to have a captain with a license on board as they are automatically exempt from pilotage requirements and are only required to have personnel with a Boater Safety card, not a license.

License Requirements Internationally

For yachts with foreign registry, each country has different license requirements. However, all must meet, at a minimum, IMO requirements that are much stricter than U.S. flagged vessels.

For instance, Marshall Islands' requirement states, "In accordance with international conventions and Republic of the Marshall Islands regulations, private yachts registered in the Republic of the Marshall Islands that are being used solely for pleasure or recreational purposes are not issued a Minimum Safe Manning Certificate as private yachts are specifically exempted from STCW per Article III(c). However, it is at all times the responsibility of the Master to ensure that the private yacht is manned in such a way as to ensure the safe operation of the yacht, the safety and security of all persons on board, and the protection of the marine environment." [3]

Additionally, the IMO's Large Yacht 3 (79FT or greater) provision on a foreign flag vessel requires updated training, physicals, fire safety similar to pilots, and is a part of the IMO requirements. Each flagging country can add their own provisions and each insurance company has its own protocols and requirements, as highlighted below.

The USCG also requires a Port State Inspection for foreign flag vessels at least every 2 years, therefore they are much more conscious of being up to date on all safety/security aspects than their U.S. flag counterparts.

Yacht Insurance

BPC currently requires proof of insurance coverage for yachts requesting a pilotage exemption. The most common insurer of private yachts the BPC sees is AIG. An agent for AIG informed BPC staff that while each insurance company has its own protocols and standards, they make sure that each captain has a valid license, which is not necessarily based on tonnage level. There are other considerations, such as whether the license is current.

West Coast Pilotage District Requirements

[2] https://apps.leg.wa.gov/WAC/default.aspx?cite=363-116-360

[3] From Email received by BPC Staff

- **Alaska**: on vessels over 100 feet in length, the captain or master aboard a pleasure craft seeking a pilotage exemption must hold a current mariner's license for the vessel's tonnage. A copy of the mariner's license must be submitted with the application, and for a pleasure craft greater than 200 gross tons, the master must hold a valid unlimited radar observer endorsement.[4] (Alaska is the only West Coast state that has a license level requirement included in their rules for foreign flag yachts).
- **California**: any vessel sailing under a coastwise license is exempt, foreign vessels shall use a pilot. However, no pilot is required if the vessel is less than 750gt and used for private recreation.[5]
- **Oregon**: pilotage on the Columbia River is compulsory except for recreational vessels not more than 100' or 250GT. [6]

Considerations

- **Past Practice:** The Board has a long history of granting pilotage exemptions to foreign flag yachts, with the understanding that insurance companies provide scrutiny of the master's license before they insure the vessel**.** It is logical to assume that operators of multimillion-dollar yachts are qualified to oversee the vessels. In addition, BPC staff is not aware of any incidents involving yachts exempted from Washington State compulsory pilotage.
- **Questionable Licenses in 2019:** Staff reviewed the 31 yacht exemptions issued in 2019. There were three questionable licenses:
    - ***ALBATROSS* –** master had a coastwise license from Mexico, which did not list tonnage levels;
    - ***ZAZIE* –** master's license was written in French and did not appear to have a tonnage level; and
    - ***TRITON*** – master had an Australian license showing a "Master Class 4", which is up to 35 meters, or 115FT. The *TRITON* is 163FT.
- **Questionable Licenses in 2020:**
    - ***TESS*** – listed on their registry as 244GT and 73NT. The master had a 200GT Master of Yachts license.
    - ***MARAMA*** – listed on their registry as 456GT and 136NT. The two masters had 200GT Master of Yachts licenses.
- **Federal Tonnage Definitions**[7]

    Convention Measurement System uses the vessel's total enclosed volume as the principal input for tonnage calculations along with other characteristics related to the vessel's carrying capacity, including volume of cargo spaces and number of passengers.

    Gross tonnage GT (ITC) means the gross tonnage measurement of the vessel under the Convention Measurement System. In international conventions, this parameter may be referenced to as "gross tonnage (GT)".

[4] https://www.commerce.alaska.gov/web/Portals/5/pub/mar4479.pdf
[5] http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=HNC&division=5.&title=&part=&chapter=1.&article=6.
[6] https://www.oregonlegislature.gov/bills_laws/ors/ors776.html
[7] https://www.law.cornell.edu/cfr/text/46/69.9

Regulatory Measurement System is sometimes referred to as the national measurement system of the U.S. (foreign flag yachts are not likely to use this system.

Gross Register Tonnage (GRT) means the gross tonnage measurement of the vessel under the Regulatory Measurement System.

- **Existing Safety Measures:** The requirement of an orientation cruise with a pilot for masters or vessels new to the area is a recent addition and provides an extra layer of safety on the water. Puget Sound Pilots has prepared written materials which are distributed to the master at the time of the orientation cruise. Masters who have previously sailed in Puget Sound are generally not required to have an orientation cruise. Exemptions may also limit where the vessel may go in Washington waters. For example, the Ballard locks and Deception Pass are often restricted from transit by foreign flag vessels.
- **Economy:** Our local maritime economy relies on yachts returning annually for repairs utilizing local boatyards. In addition, the State's tourism economy relies on these annual visitors for patronage of businesses and services. Pacific Yacht Management recently shared that yachts bring in millions of dollars to our local economy each year.

BPC Staff Recommendations

1. Based on the research conducted and the intent and direction of WAC 363-116-360, BPC staff recommends that the Board keep requiring a current mariner's license to be qualified to receive a pilotage exemption by the BPC. Given the additional requirements of the IMO and the greater degree of requirements required when compared to U.S. flag vessels, we do not recommend requiring that a license to be linked to a certain tonnage level as long as the masters are named and approved by the insurer.

2. In addition, BPC staff recommends staff include the insurance documentation covering the proposed masters in the petitions for Board review as part of the decision to issue an exemption, if there is a discrepancy between the license level and tonnage of the vessel.

3. Finally, BPC staff recommends revising the exemption application to GT (ITC) only, to be consistent with the WAC. Currently, the application has a spot for International Gross Tonnage GT (ITC) and Gross Registered Tonnage (GRT).

STATE OF WASHINGTON

BOARD OF PILOTAGE COMMISSIONERS

GEOGRAPHIC ZONES

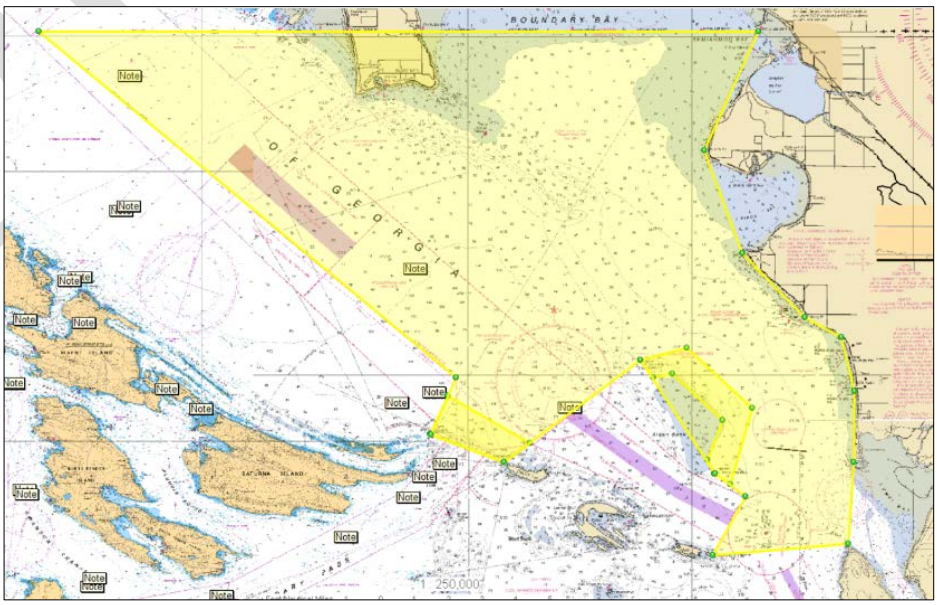
Per the Directives of ESHB 1578 *Reducing the threat to southern resident killer whales by improving the safety of oil transportation*
and
Chapter 88.16 RCW Pilotage Act
88.16.190 Oil Tankers-Restricted Waters-Requirements

The following geographic zones for the waterways of Puget Sound were developed taking into account potential hazards including vessel distance to the ground, vessel traffic, weather conditions, currents, vessel capability, etc. Subzones are the critical spots in each passage and are indicated in the darker color of the overall zone.

Notes:
1) The colors for each zone were chosen to distinguish them from one another and are not related to risk.
2) The written descriptions are the zone definitions. The visuals are provided as an aid to help visualize the zones.
3) The BPC recognizes that the U.S. and the state of Washington cannot regulate Canadian waters and that the Canadian VTS manages traffic in the areas of Haro Strait and Boundary Pass.

1. Strait of Georgia

South: A line from Puffin Island light to Point Migley on Lummi Island.
West: From Puffin Island light, NE to Lat. 48° 46.4'N, Long 122° 47.5'W then to the South Alden Bank buoy, then to the North Alden Bank buoy, then to Alden

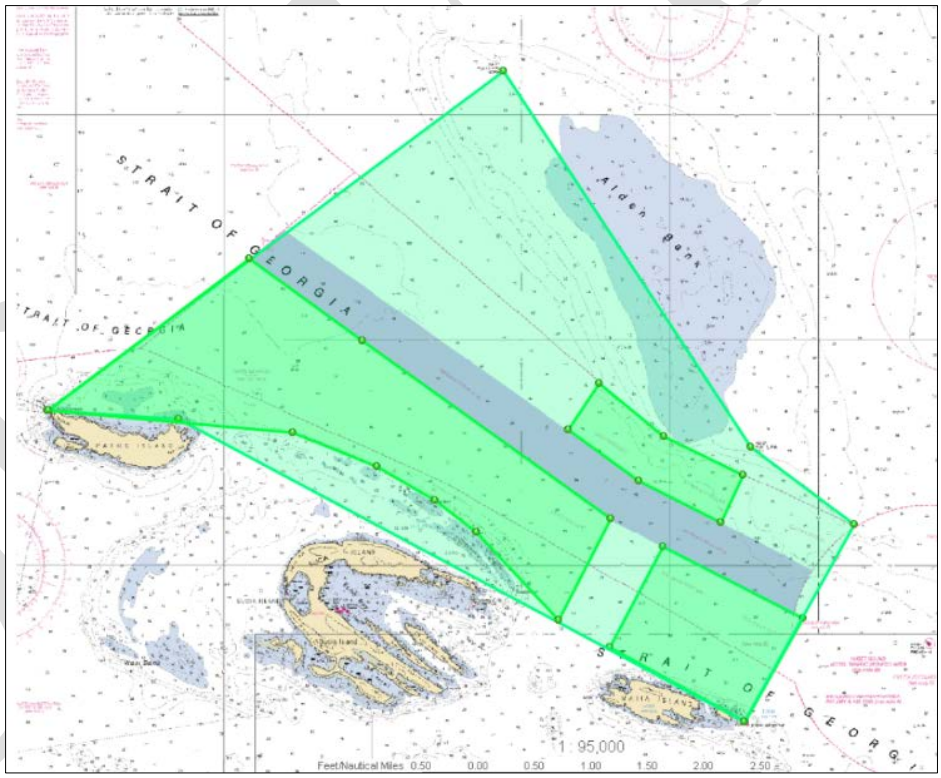


Point light on Patos Island, then to Rosenfeld Rock buoy, then NE intercepting and following the international boundary.

North: Following the international boundary NW then East to the shore of Point Roberts.

East: Following the mainland shore from Point Roberts to Sandy Point then Point Migley.

2. Strait of Georgia South



Southwest: A line from Puffin Island light NW along the shores of Matia, Sucia, and Patos Islands to Alden Point light.

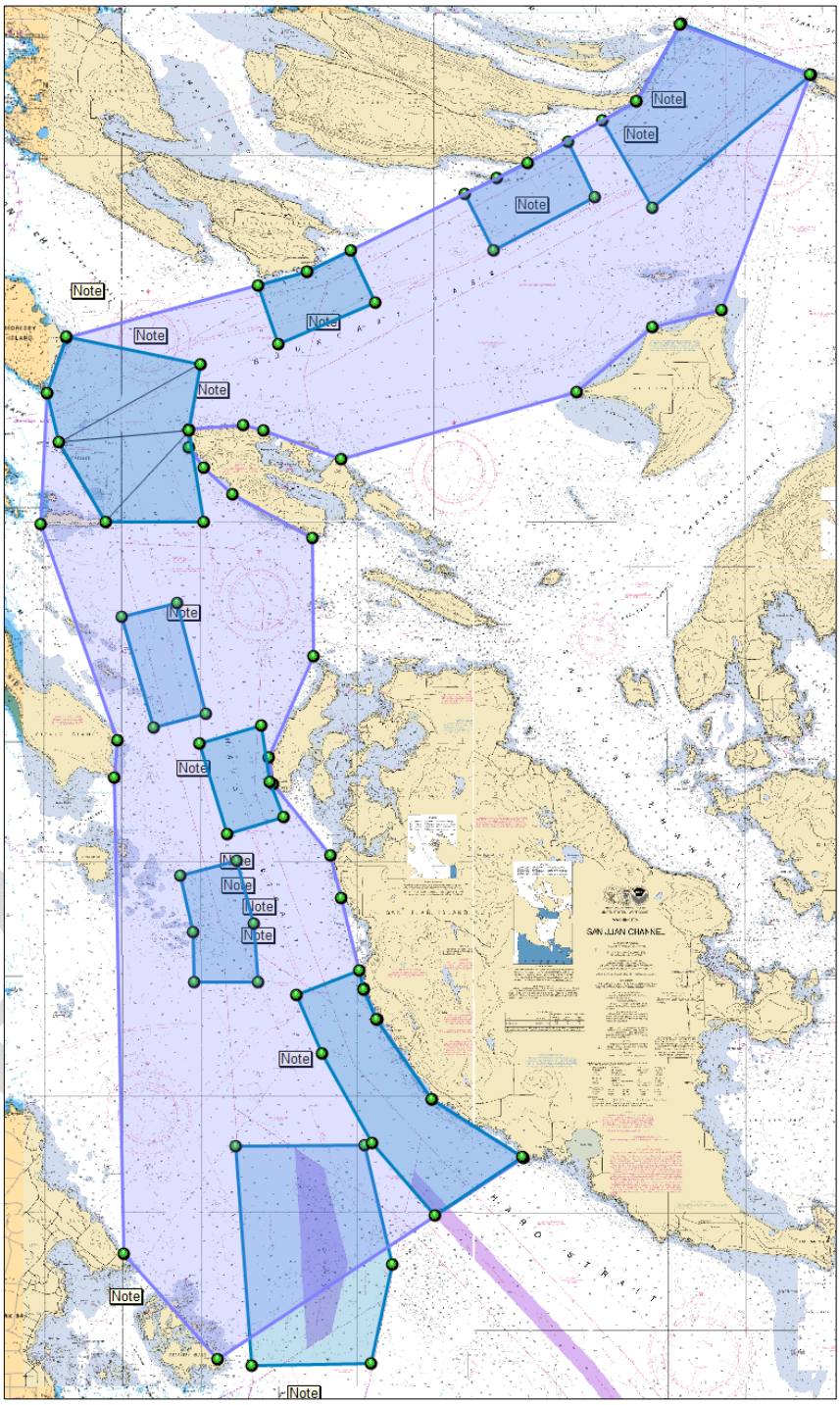
Northwest: A line from Alden Point light on Patos Island to the North Alden Bank buoy.

Northeast: A line from the North Alden Bank buoy to the South Alden Bank buoy then to Lat. 48° 46.4'N, Long. 122° 47.5'W.

Southeast: A line from Lat. 48° 46.4'N, Long. 122° 47.5'W to Puffin Island light.

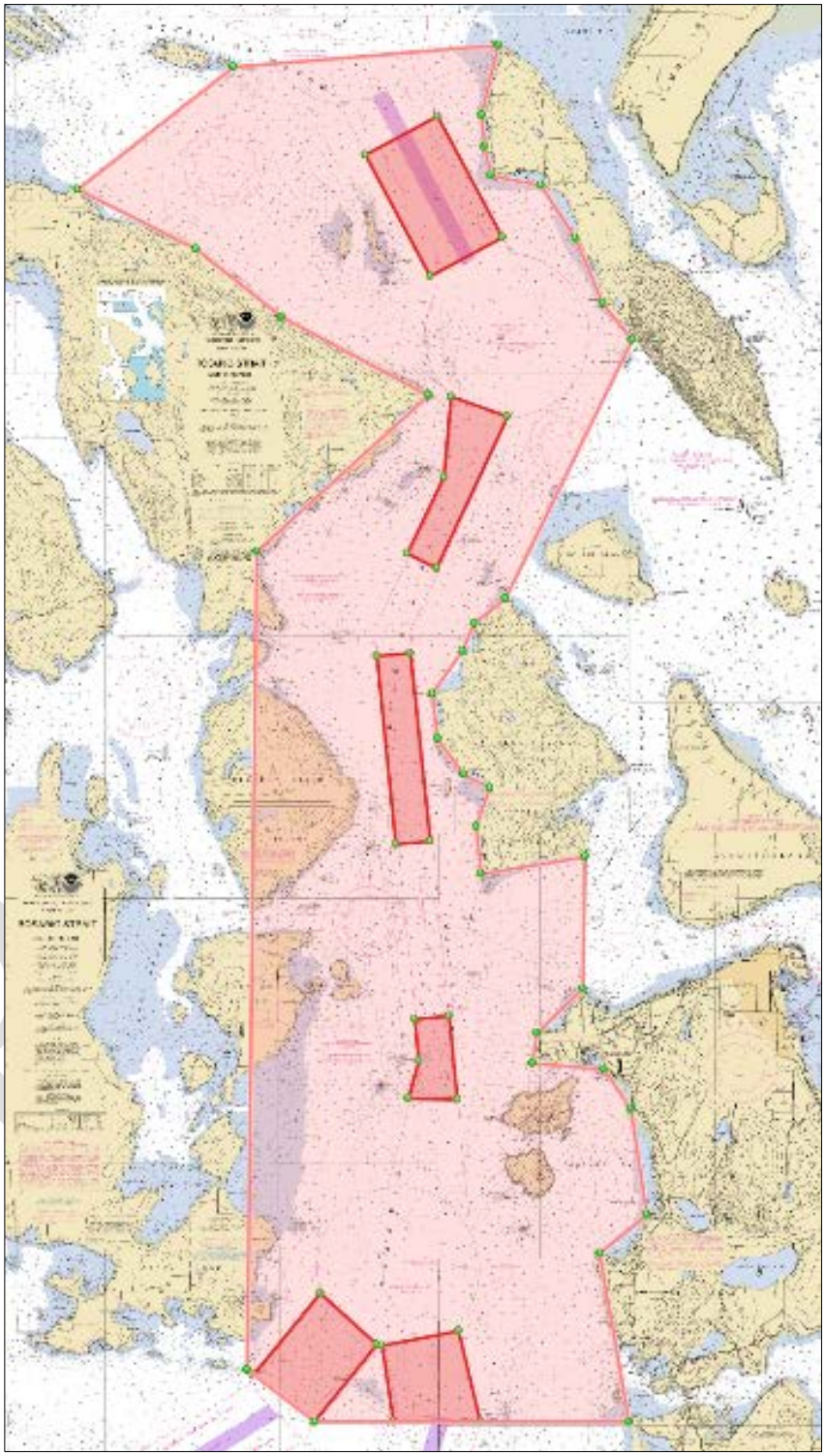
3. Haro Strait and Boundary Pass

Southern boundary: A line from Discovery Island light to Pile Point on San Juan Island.
Following the adjacent shorelines of Haro Strait North to Tun Point on Stuart Island then following the adjacent shorelines of Boundary Pass Northeast.
Northeast boundary: A line from Alden Point light on Patos Island to Rosenfeld Rock buoy off East Point, Saturna Island.



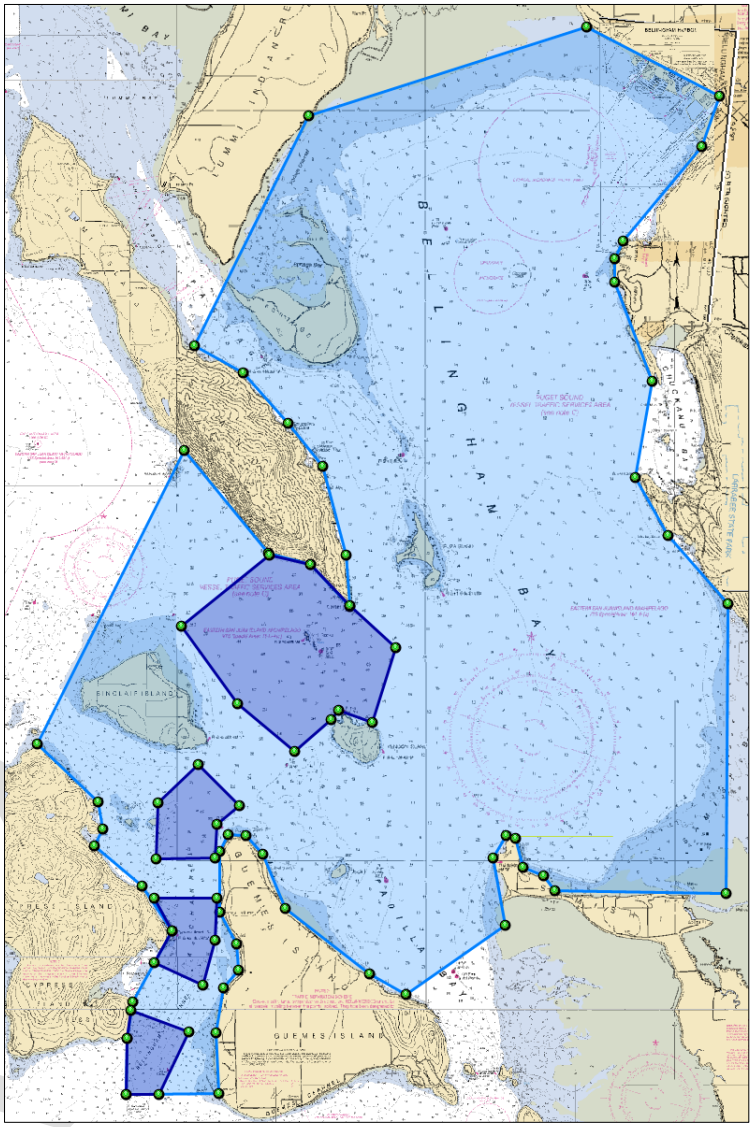
4. Rosario Strait

Southern: A line from Davidson Rock light, Southeast to position Lat. 48° 24.0'N, Long. 122° 47.15'W then East to the shore of Whidbey Island at Lat. 48° 24.0'N, Long. 122° 39.9'W.
Following the adjacent shorelines of Rosario Strait to the North.
Northern: A line from Pt. Thompson on Orcas Island to Puffin Island light and then to Point Migley on Lummi Island.



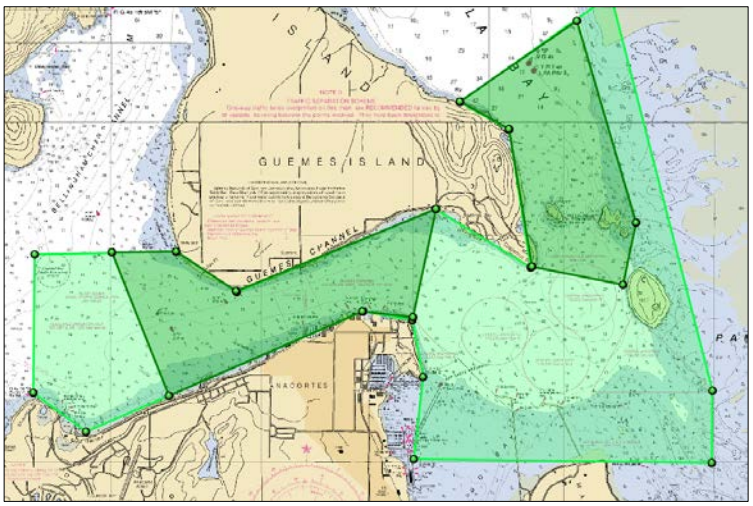
5. **Bellingham Channel, Sinclair Island, and waters to the East**

West: All waters East of Rosario Strait with the exception of Guemes Channel and the waters East of Guemes Island from Padilla Bay buoy "5" South through the "Saddlebags" passage to Anacortes.

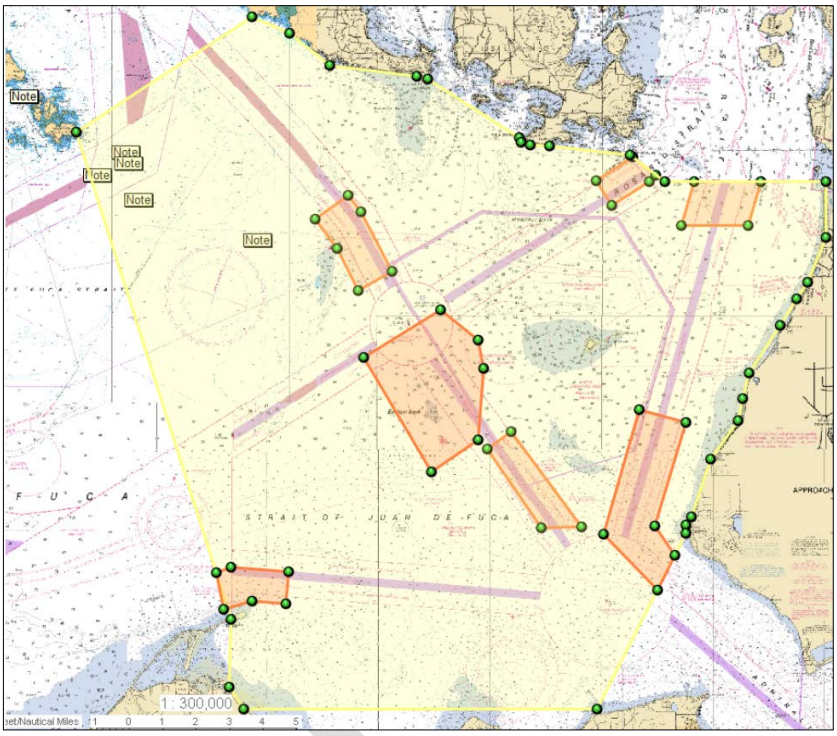


6. **Guemes Channel and Saddlebags**

West: The waters of Guemes Channel, East of Shannon Pt. and South of "Yellow Bluff" on Guemes Island.
Following the adjacent shorelines of Guemes Channel to the March Point area then North between Guemes and Saddlebag Islands.
North: South of Padilla Bay buoy "5".

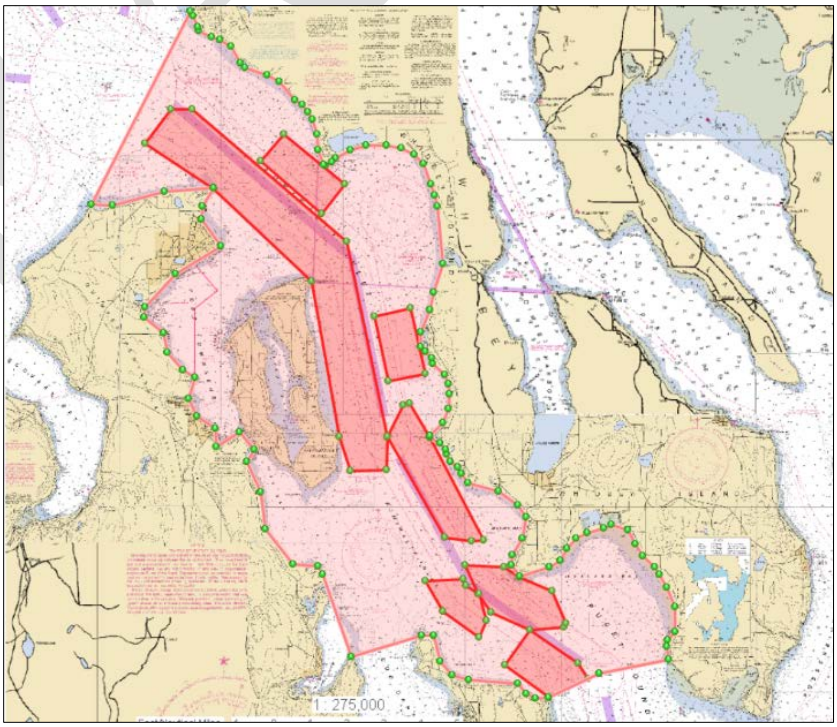


7. Eastern Strait of Juan de Fuca



West: Line from Discovery Island light to New Dungeness light.
North: Line from Discovery Island light to Pile Pt. on San Juan Island, following the shore of San Juan Island East then crossing Cattle Pass and following the South shore of Lopez Island to Davidson Rock then following the defined Southern boundary of Rosario Strait to a point just South of West Point on Whidbey Island.
East: The Western shore of Whidbey Island from West Point to Point Partridge Point light then to McCurdy Point.
South: From New Dungeness light following the shore East to McCurdy Point.

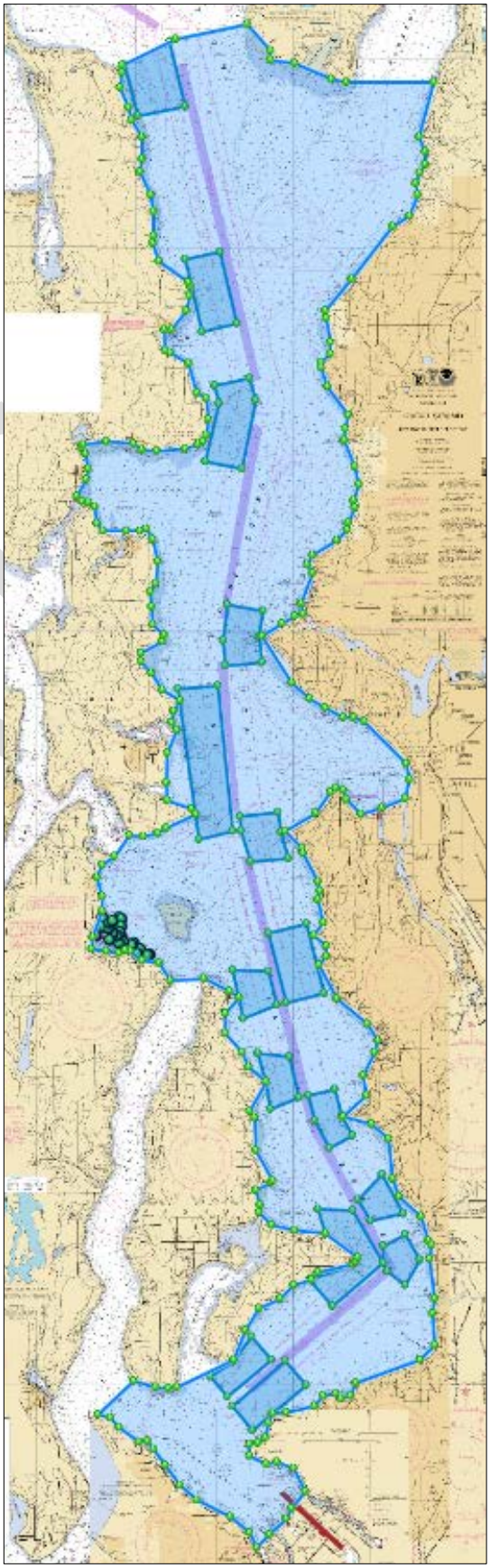
8. Admiralty Inlet



Northwest: A line from McCurdy Point to Point Partridge.
Following the shorelines of Whidbey Island on the Northeast and the shorelines of the Quimper Peninsula, Marrowstone Island and the North Shore of the Kitsap Peninsula.
Southeast: A line from Point No Point to buoy "SE" then to Indian Point on Whidbey Island.

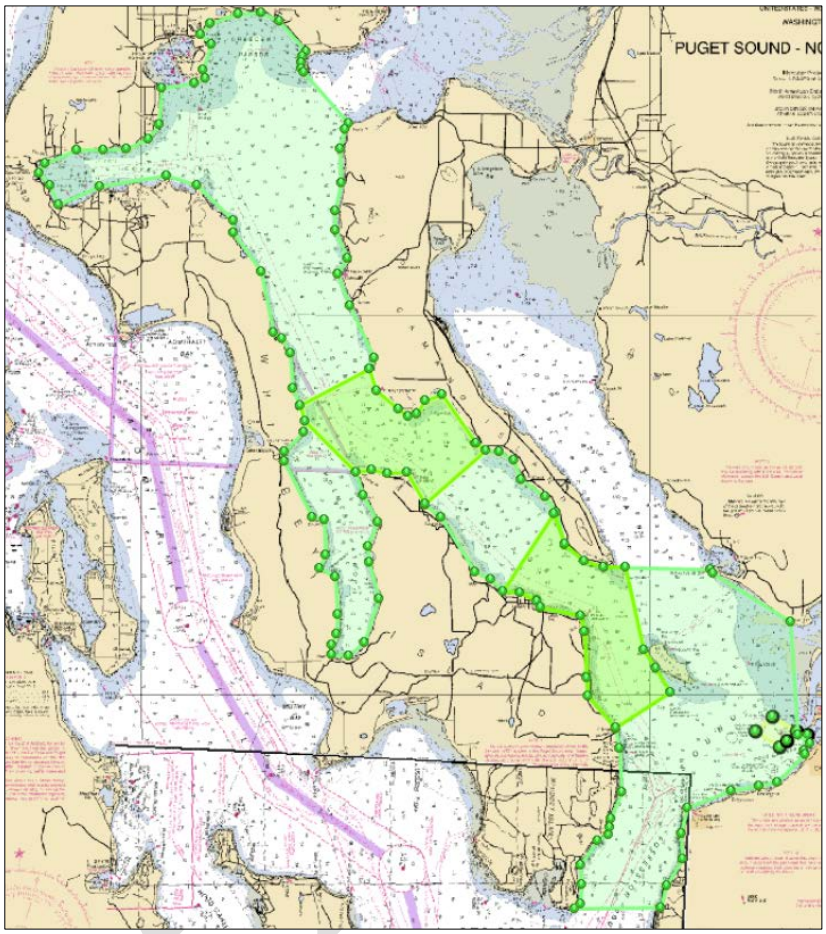
9. Puget Sound

North: A line from Point No Point to buoy "SE" then to Indian Point on Whidbey Island then following the shore of Whidbey Island East to Possession Point then due East to the mainland shore.
East: Following the mainland shore from Possession Sound, South to Point Defiance including Seattle and Tacoma Harbors as well as East Pass.
South: The waters of Commencement Bay, West to Point Defiance.
West: South from Point No Point following the mainland and East shore of Bainbridge Island not including the waters South of Agate Point in Agate Pass, West of a line from Orchard Point to Beans Point in Rich Passage or South of a line from Point Southworth to Vashon Head. The West boundary continues South from Vashon Head along the shores of Vashon and Maury Islands to Point Dalco then ends at Point Defiance.



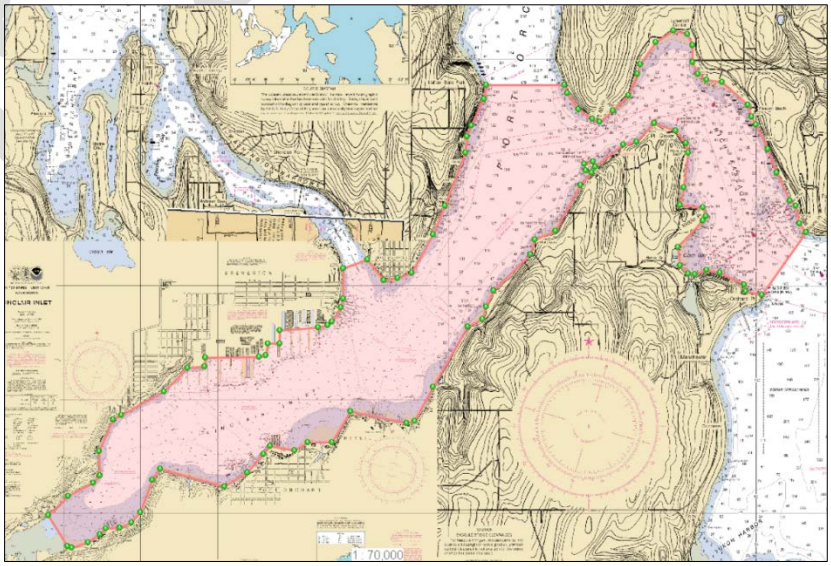
10. Possession Sound and Saratoga Passage

South: A line from Possession Point on Whidbey Island due East to the mainland shore. Following the shoreline of Possession Sound and Saratoga Passage North. Not including the waters of Port Susan.
North: A line from Ponell Point on Whidbey Island to Rocky Point on Camano Island.



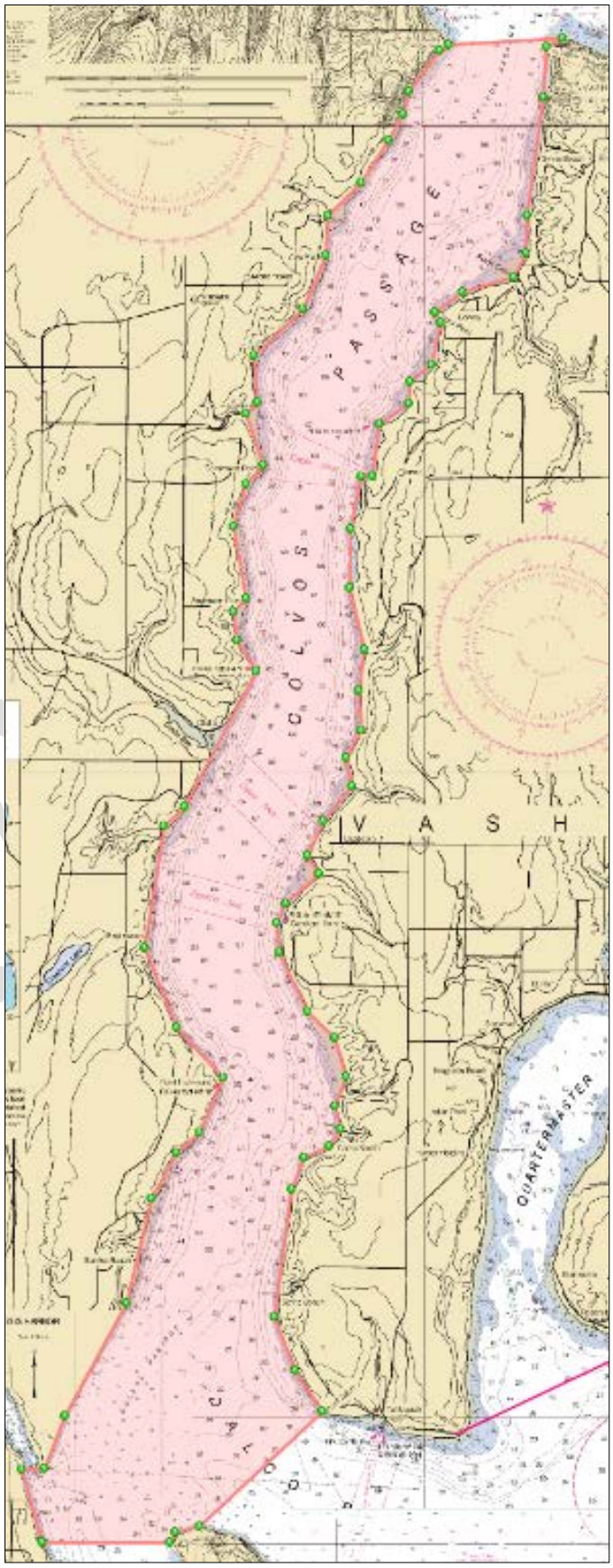
11. Rich Passage & Sinclair Inlet

The waters of Rich Passage and Sinclair Inlet West of a line from Orchard Point to Beans Point, not including the waters of Port Orchard North of White Point.



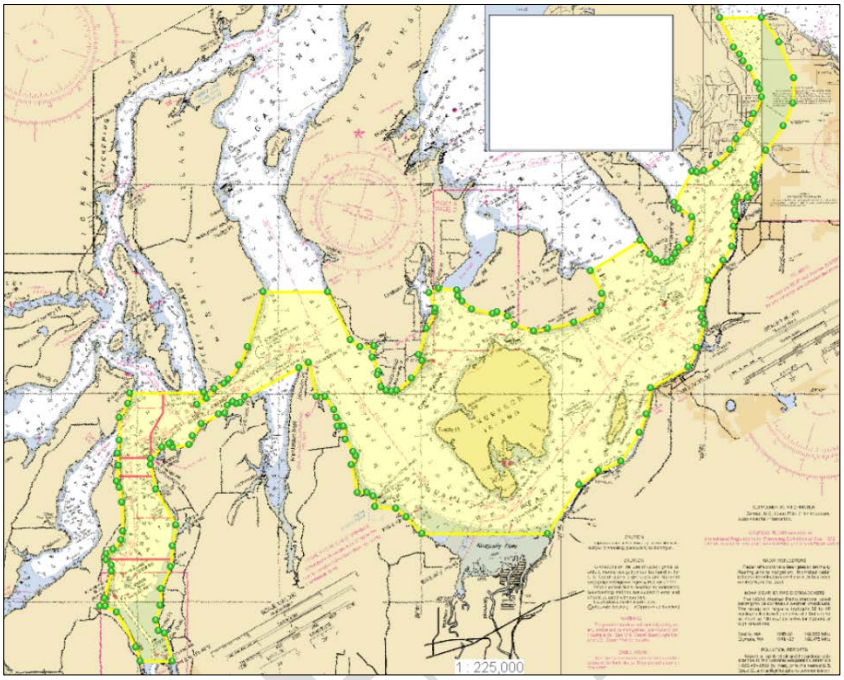
12. Colvos Passage

North: South of a line from Point Southworth to Vashon Head. Following the shores of Colvos Passage to the South.
South: West of a line from Point Defiance to Point Dalco and North of a line from Point Defiance due West to the mainland shore.



13. South Sound to Olympia

All waters South of a line from Point Defiance due West to the mainland shore. Following the main channels via Nisqually Reach or Balch Pass and Dana Passage to Budd Inlet.



Salish Sea Tank Vessel Escort Zones

Explanatory Notes

June 1, 2020

1) It is recognized that the U.S. or state of Washington cannot regulate Canadian waters. However, in practice, the waters are shared and so the zones have been composed as such.
2) Considerable thought has been put into developing these Tank Vessel Escort Zones, but it is recognized that with future input required by ESB 1578 from the DOE and other sources the Zone boundaries may be modified prior to rulemaking. Though it was a key consideration in developing the zones, no effort has been made to define the specific escort requirements within the zones at this time as this will likely be part of the rule-making process.
3) The driving concept in developing the zones was to separate the waterways into sections where a specific set of tank vessel escort techniques would likely be consistently applied. Worksheets were used to identify and catalog specific locations along a given route within a zone where particular hazards existed that were relevant to navigation and escort operations. The primary factor considered was proximity to grounding points, but additional consideration was given to the nature of the seabed, typical currents/weather, traffic density, and other navigational and piloting factors. Chartlets with "subzones" have been developed to indicate many of these critical points within a specific zone. The subzone boundaries are not intended to be geographically precise but are merely intended to highlight the critical points along a given route. Although it is envisioned that the technical escort requirements would be consistent within a given zone it may be that there are additional requirements at some of these critical points within a zone. It is anticipated that this would be determined prior to or during the rulemaking process.
4) The zone and subzone slides were developed using a navigational computer with limited graphic capabilities. It is assumed that prior to publishing for public viewing they would have the benefit of an experienced graphic artist with the appropriate software.
5) **Comments for specific zones**:

   - Strait of Georgia and Strait of Georgia - South: The South Strait of Georgia zone was separated out because it contains a busy traffic separation scheme that passes quite close to extensive grounding points. The Strait of Georgia zone mainly consists of more open waters with fewer hazards.
   - Haro Strait & Boundary Pass: Though this zone generally has greater clearances than Rosario Strait it has a higher level of traffic as well as strong currents. This is a zone that would potentially have additional requirements at specific places within the zone such as at Turn Point. This zone and its subzones were drawn over the international boarder to include the entire waterway. The zones and wording may be edited as needed to reflect the unique legal and operating conditions of this waterway.
   - Rosario Strait: This zone has moderate traffic density but strong currents and tighter clearances than Haro Strait & Boundary Pass.
   - Bellingham Channel, Sinclair Island and waters to the East: The waters in this zone have less traffic but have incrementally tighter clearances than Rosario Strait and require adjustments to the mode of escort.

- Guemes Channel and Saddlebag Passage: These waters have the tightest clearances in the region and therefore require yet more adjustments to the mode of escort.
- Eastern Strait of Juan de Fuca: This is a large zone consisting mainly of open water with several different routes and a number of isolated hazards. It is possible that the routes in this zone could have individual escort guidelines and might have additional requirements at specific points within the zone.
- Admiralty Inlet: The routes in this zone have relatively high traffic density and strong currents with occasional proximity to hazards.
- Puget Sound: This is a large zone with occasionally high traffic density but generally mild currents and generally "softer" hazard points (i.e. less rock, more mud and sand).
- Possession Sound and Saratoga Passage: This is a lesser traveled waterway but does have some tank vessel movement and some relatively narrow waterways. These waters have light traffic and mild currents.
- Rich Passage and Sinclair Inlet: Though there is little if any tank vessel traffic in this zone, it is a narrow waterway with strong currents.
- Colvos Passage: Colvos Passage is the primary route for vessels bound to/from Olympia and an alternate route to/from Tacoma. It is a narrower passage than East Pass and lacks the benefit of the Traffic Separation Scheme but generally has a favorable current for Northbound vessels.
- South Sound to Olympia: This zone also has little if any tank vessel traffic but has several tight passages with occasional strong currents.

** San Juan Islands: With the exception of the primary routes identified by the identified zones, it should be understood and made clear that tank vessels should not transit the waters of the San Juan Islands between the following zones: Eastern Strait of Juan de Fuca, Haro Strait & Boundary Pass, South Georgia Strait and Rosario Strait.