



PROPOSED RULE MAKING

CR-102 (December 2017) (Implements RCW 34.05.320)

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DATE: July 25, 2019

TIME: 8:01 AM

WSR 19-16-006

Agency: Board of Pilotage Commissioners

- Original Notice
- Supplemental Notice to WSR _____
- Continuance of WSR _____

- Preproposal Statement of Inquiry was filed as WSR 19-11-115 ; or
- Expedited Rule Making--Proposed notice was filed as WSR _____; or
- Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1); or
- Proposal is exempt under RCW _____.

Title of rule and other identifying information: (describe subject) WAC 363-116-301 New Revenue Collection

Hearing location(s):

Date:	Time:	Location: (be specific)	Comment:
September 19, 2019	10:00am	2901 Third Avenue, 1 st Floor, Agate Conference Room Seattle, WA 98121	

Date of intended adoption: September 19, 2019 (Note: This is **NOT** the effective date)

Submit written comments to:

Name: Sheri J. Tonn, Chair
 Address: 2901 Third Avenue, Suite 500
 Email: BeverJ@wsdot.wa.gov
 Fax: 206-515-3906
 Other:
 By (date) September 16, 2019

Assistance for persons with disabilities:

Contact Jolene Hamel
 Phone: 206-515-3904
 Fax: 206-515-3906
 TTY:
 Email: HamelJ@wsdot.wa.gov
 Other:
 By (date) September 16, 2019

Purpose of the proposal and its anticipated effects, including any changes in existing rules: The purpose of this filing is to comply with legislative intent, through the passage of Engrossed Substitute House Bill 1160, which stipulates certain conditions in order for the BPC to receive state appropriation from the pilotage account solely for self-insurance liability premium expenditures. This revised rule defines these two stipulated conditions.

Reasons supporting proposal: Revising the mechanisms already in place to collect the revenue needed to pay the self-insurance liability premium expenditures is necessary in order for the BPC to show compliance with legislative intent thus prompting the State to transfer the funds from the pilotage account. Without the fund sources allocated by ESHB 1160, the agency would be in financial crisis, putting the BPC's 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 services in jeopardy.

Statutory authority for adoption: Chapter 88.16 RCW

Statute being implemented:

Is rule necessary because of a:

Federal Law?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Federal Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
State Court Decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

If yes, CITATION: Katharine Sweeney vs. Board of Pilotage Commissioners, Cause Number 11-2-36792-4SEA in King County Superior Court and Joint Motion to Dismiss the Appeal in Cause No. 72664-1 in the Washington County of Appeals

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters: The BPC's self-insurance liability premium is comprised of monetary contributions from the BPC, Puget Sound Pilots, and those vessels taking pilots in the Puget Sound Pilotage District. This revised rule enforces the collection of revenue from all participants.

Name of proponent: (person or organization) Board of Pilotage Commissioners

<input type="checkbox"/> Private
<input type="checkbox"/> Public
<input checked="" type="checkbox"/> Governmental

Name of agency personnel responsible for:

	Name	Office Location	Phone
Drafting:	Jaimie C. Bever	Seattle, WA	206-515-3887
Implementation:	Jaimie C. Bever	Seattle, WA	206-515-3887
Enforcement:	Board of Pilotage Commissioners	Seattle, WA	206-515-3904

Is a school district fiscal impact statement required under RCW 28A.305.135? Yes No

If yes, insert statement here:

The public may obtain a copy of the school district fiscal impact statement by contacting:

Name:
Address:
Phone:
Fax:
TTY:
Email:
Other:

Is a cost-benefit analysis required under RCW 34.05.328?

Yes: A preliminary cost-benefit analysis may be obtained by contacting:

Name:
Address:
Phone:
Fax:
TTY:
Email:
Other:

No: Please explain: RCW 34-05-328 does not apply to the adoption of these rules. The Washington State Board of Pilotage Commissioners is not a listed agency in RCW 34-05-328(5)(a)(i).

Regulatory Fairness Act Cost Considerations for a Small Business Economic Impact Statement:

This rule proposal, or portions of the proposal, **may be exempt** from requirements of the Regulatory Fairness Act (see chapter 19.85 RCW). Please check the box for any applicable exemption(s):

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.061 because this rule making is being adopted solely to conform and/or comply with federal statute or regulations. Please cite the specific federal statute or regulation this rule is being adopted to conform or comply with, and describe the consequences to the state if the rule is not adopted.

Citation and description:

This rule proposal, or portions of the proposal, is exempt because the agency has completed the pilot rule process defined by RCW 34.05.313 before filing the notice of this proposed rule.

This rule proposal, or portions of the proposal, is exempt under the provisions of RCW 15.65.570(2) because it was adopted by a referendum.

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.025(3). Check all that apply:

- RCW 34.05.310 (4)(b) (Internal government operations)
- RCW 34.05.310 (4)(c) (Incorporation by reference)
- RCW 34.05.310 (4)(d) (Correct or clarify language)
- RCW 34.05.310 (4)(e) (Dictated by statute)
- RCW 34.05.310 (4)(f) (Set or adjust fees)
- RCW 34.05.310 (4)(g) ((i) Relating to agency hearings; or (ii) process requirements for applying to an agency for a license or permit)

This rule proposal, or portions of the proposal, is exempt under RCW 88.16 .

Explanation of exemptions, if necessary: This was a legislative mandate. The application of the proposed language is clear in the description of the proposal and its anticipated effects as well as the attached proposed revised WAC language.

COMPLETE THIS SECTION ONLY IF NO EXEMPTION APPLIES

If the proposed rule is **not exempt**, does it impose more-than-minor costs (as defined by RCW 19.85.020(2)) on businesses?

- No Briefly summarize the agency's analysis showing how costs were calculated. _____
- Yes Calculations show the rule proposal likely imposes more-than-minor cost to businesses, and a small business economic impact statement is required. Insert statement here:

The public may obtain a copy of the small business economic impact statement or the detailed cost calculations by contacting:

Name:
 Address:
 Phone:
 Fax:
 TTY:
 Email:
 Other:

Date: July 25, 2019

Name: Jaimie C. Bever

Title: Executive Director

Signature:



AMENDATORY SECTION (Amending WSR 17-20-009, filed 9/22/17, effective 10/23/17)

WAC 363-116-301 New revenue collection. With respect to the passage of Engrossed ((~~Senate Bill No. 5096~~)) Substitute House Bill No. 1160, Section 108, the board of pilotage commissioners is appropriated ((~~one million one hundred thousand~~)) three million one hundred twenty-five thousand dollars from the ((~~multimodal transportation~~)) pilotage account state appropriation solely for self-insurance liability premium expenditures. This appropriation is contingent upon ((~~three~~)) two stipulated conditions:

(1) The Puget Sound pilots shall pay to the board, from its tariffs, one hundred fifty thousand dollars annually on July 1, ((~~2017~~)) 2019, and July 1, ((~~2018~~)) 2020. These amounts shall be deposited by the board into the pilotage account and used solely for the expenditure of self-insurance premiums; and

(2) ((~~The board shall maintain the Puget Sound pilotage district pilotage tariff at the rate which became effective on January 1, 2017; and~~

~~(3)~~)) A self-insurance premium surcharge of sixteen dollars shall be added to each Puget Sound pilotage assignment on all vessels requiring pilotage in the Puget Sound pilotage district. The Puget Sound pilots shall remit the total amount of such surcharges generated to the board by the tenth of each month. The surcharge shall be in effect from July 1, ((~~2017~~)) 2019, through June 30, ((~~2019~~)) 2021. These amounts shall be in addition to those fees to be paid to the board pursuant to subsection (1) of this section and shall be deposited by the board into the pilotage account solely for the expenditure of self-insurance premiums.

These ((~~three~~)) two directives are in effect beginning May ((~~18, 2017~~)) 16, 2019, through June 30, ((~~2019~~)) 2021.

Parsing the June 2019 TEU Numbers

Please note: The numbers here are not derived from forecasting algorithms or incomplete 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

It's still difficult not to utter a discouraging word about the ports of San Pedro Bay. After posting a 6.3% year-over-year drop in inbound loads in May, the Ports of Los Angeles and Long Beach saw a 5.1% decline in June (before rallying, as well shall see, to a 0.5% uptick in July).

But, focusing just on the month of June, the Port of Los Angeles registered a 3.5% (+13,343 TEUs) gain in inbound traffic over the same month last year. Alas, next door at the Port of Long Beach, inbound loads plummeted by 13.7% (-52,478 TEUs). To be fair and accurate, the port's plummet came from an unparalleled high. June 2018 was Long Beach's busiest month ever both for loaded imports and total TEUs handled. Still, collectively, the two Southern California gateways sustained a 5.1% (-39,135 TEUs) drop in the number of inbound loads. Up the coast, Oakland reported

Exhibit 1	June 2019 - Inbound Loaded TEUs at Selected Ports					
	Jun 2019	Jun 2018	% Change	Jun 2019 YTD	Jun 2018 YTD	% Change
Los Angeles	396,307	382,964	3.5%	2,260,267	2,220,041	1.8%
Long Beach	331,617	384,095	-13.7%	1,813,810	1,992,254	-9.0%
San Pedro Bay Totals	727,924	767,059	-5.1%	4,074,077	4,212,295	-3.3%
Oakland	80,895	87,207	-7.2%	474,145	460,144	3.0%
NWSA	122,645	130,605	-6.1%	692,317	665,688	4.0%
USWC Totals	931,464	984,871	-5.4%	5,240,539	5,338,127	-1.8%
Boston	13,874	12,695	9.3%	73,198	68,058	7.6%
NYNJ	301,708	310,481	-2.8%	1,846,062	1,757,568	5.0%
Maryland	38,839	42,889	-9.4%	261,021	251,021	4.0%
Virginia	112,664	105,955	6.3%	673,676	629,795	7.0%
South Carolina	86,076	85,416	0.8%	520,409	486,017	7.1%
Georgia	168,799	175,617	-3.9%	1,075,362	981,483	9.6%
Jaxport	33,461	27,372	22.2%	178,802	152,355	17.4%
Port Everglades	22,463	30,008	-25.1%	163,988	187,595	-12.6%
Miami	34,226	34,830	-1.7%	215,101	205,740	4.5%
USEC Totals	812,110	825,263	-1.6%	5,007,619	4,719,632	106.1%
New Orleans	11,673	10,571	10.4%	68,133	61,087	11.5%
Houston	105,159	97,727	7.6%	604,787	555,609	8.9%
USGC Totals	116,832	108,298	7.9%	672,920	616,696	9.1%
Vancouver	137,493	142,202	-3.3%	843,765	833,997	1.2%
Prince Rupert	57,754	51,617	11.0%	299,379	274,592	9.0%
BC Totals	195,247	193,819	0.7%	1,143,144	1,108,589	3.1%
US/BC Totals	2,055,653	2,112,251	-2.7%	12,064,222	11,783,044	2.4%
US Total	1,860,406	1,918,432	-3.0%	10,921,078	10,674,455	2.3%
USWC/BC	1,126,711	1,178,690	-4.4%	6,383,683	6,446,716	-1.0%

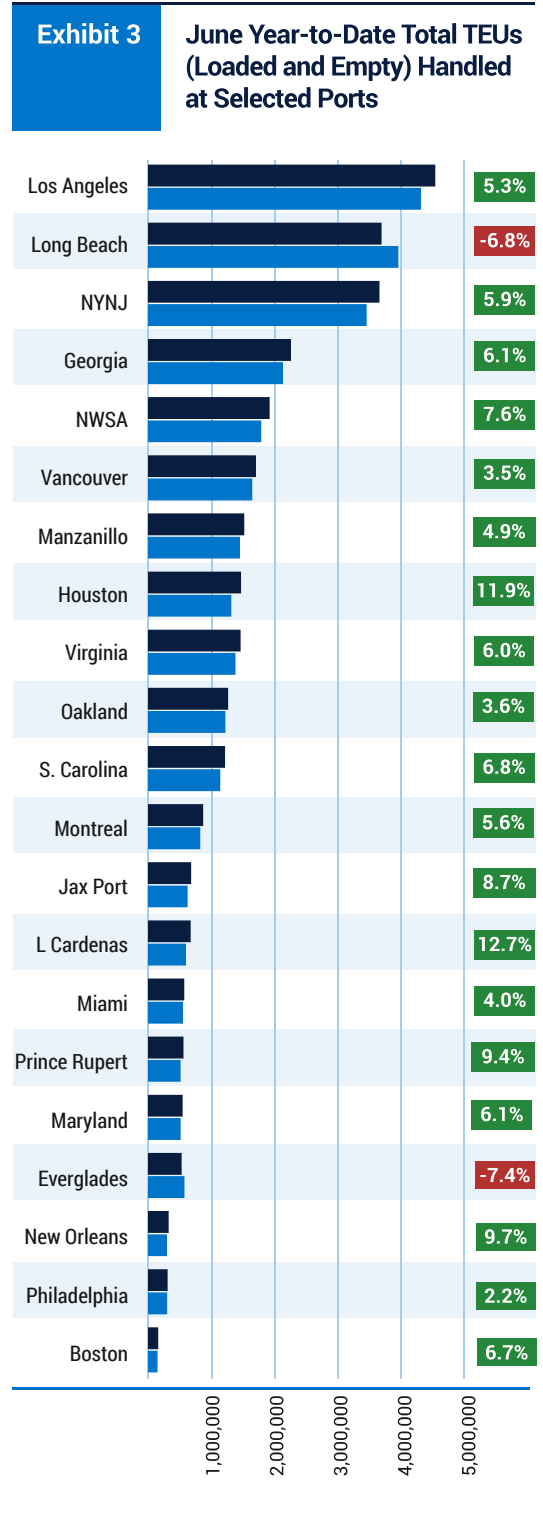
Source Individual Ports



Parsing the June 2019 Loaded TEU Numbers Continued

	June 2019 - Outbound Loaded TEUs at Selected Ports			June Year-to-Date Total TEUs (Loaded and Empty) Handled at Selected Ports		
	Jun 2019	Jun 2018	% Change	Jun 2019 YTD	Jun 2018 YTD	% Change
Los Angeles	139,318	147,563	-5.6%	908,610	952,281	-4.6%
Long Beach	133,833	135,168	-1.0%	732,225	813,217	-10.0%
San Pedro Bay Totals	273,151	282,731	-3.4%	1,640,835	1,765,498	-7.1%
Oakland	74,901	71,894	4.2%	463,651	452,677	2.4%
NWSA	76,559	85,088	-10.0%	453,730	476,865	-4.9%
USWC Totals	424,611	439,713	-3.4%	2,558,216	2,695,040	-5.1%
Boston	7,366	7,127	3.4%	40,199	41,246	-2.5%
NYNJ	122,663	129,505	-5.3%	741,518	756,389	-2.0%
Maryland	20,127	19,133	5.2%	115,293	118,805	-3.0%
Virginia	76,535	80,596	-5.0%	493,850	509,050	-3.0%
South Carolina	66,496	68,060	-2.3%	414,730	425,207	-2.5%
Georgia	119,295	124,822	-4.4%	760,632	763,482	-0.4%
Jaxport	38,424	37,855	1.5%	248,279	242,719	2.3%
Port Everglades	34,705	38,259	-9.3%	210,271	227,915	-7.7%
Miami	32,401	32,876	-1.4%	206,901	199,559	3.7%
USEC Totals	518,012	538,233	-3.8%	3,231,673	3,284,372	-1.6%
New Orleans	25,898	27,527	-5.9%	148,728	144,119	3.2%
Houston	106,429	92,323	15.3%	622,492	541,010	15.1%
USGC Totals	132,327	119,850	10.4%	771,220	685,129	12.6%
Vancouver	101,715	99,577	2.1%	582,067	553,089	5.2%
Prince Rupert	15,254	19,669	-22.4%	101,647	106,924	-4.9%
British Columbia Totals	116,969	119,246	-1.9%	683,714	660,013	3.6%
US/Canada Total	1,191,919	1,217,042	-2.1%	7,244,823	7,324,554	-1.1%
US Total	1,074,950	1,097,796	-2.1%	6,561,109	6,664,541	-1.6%
USWC/BC	541,580	558,959	-3.1%	3,241,930	3,355,053	-3.4%

Source: Individual Ports



■ 2019 YTD
■ 2018 YTD

Source: Individual Ports



Parsing the June 2019 Loaded TEU Numbers *Continued*

a 7.2% (-6,312 TEUs) fall-off in inbound traffic, while the Northwest Seaport Alliance Ports of Tacoma and Seattle posted a 6.1% decline (-7,960 TEUs). Altogether, the five major USWC container ports handled 53,407 fewer loaded inbound TEUs (-5.4%) than they had in June 2018.

Once again, the USWC numbers compare poorly with the inbound container traffic June brought to other coasts. The nine U.S. East Coast ports PMSA regularly monitors posted a combined 1.6% decline (-13,153 TEUs) from June 2018, although Jaxport, Virginia, Charleston, and Boston did eke out gains. (The latter gateway has presumably stopped billing itself as the Official Seaport of the [lamentable] Boston Red Sox.)

On the Gulf Coast, Houston logged an increase of 7.6% (+7,432 TEUs) in inbound loads, while import traffic at New Orleans rose by 10.4% (+1,102 TEUs).

The two British Columbia ports we track had mixed results in June. At Vancouver, inbound loads were down by 3.3% (-4,709 TEUs), while Prince Rupert posted an 11.0% (+6,137 TEUs) gain from a year earlier. Combined, the two ports were up 0.7% (+1,428 TEUs).

Focusing now just on the sixteen mainland U.S. ports we track, import loads in June totaled 1,860,406 TEUs, a decline of 3.0% (-58,026 TEUs) from the same month in 2018. The Big Five USWC ports accounted for 931,464 TEUs for a 50.1% share, down from their 51.3% share in June of last year.

Now looking at the containerized import traffic through the five U.S. and two Canadian ports on the Pacific Coast, inbound loads in June were down 4.4% (-51,979 TEUs) from a year earlier. The five USWC ports accounted for 82.7% of the inbound loaded TEUs along the Pacific Coast, down from their 83.6% share last June.

Export Traffic

As expected, export container traffic was down across much of North America in June. Of the major USWC ports, only Oakland (+4.2% or +3,007 TEUs) shipped more loaded containers abroad than in June of 2018. At the two San Pedro Bay ports, 9,580 fewer loaded TEUs (-3.4%) sailed abroad. Altogether, the five USWC ports sent 15,102

(-3.4%) fewer loaded TEUs out to overseas markets than a year earlier.

Among the USEC ports we track, only Jaxport (+1.5% or +569 TEUs), Maryland (+5.2% or +994 TEUs) and Boston (+3.4% or +239 TEUs) posted year-over-year export gains. Elsewhere along the Atlantic Seaboard, outbound container traffic was uniformly down. Altogether, the nine USEC ports we track saw outbound loaded numbers slide by 3.8% (-20,221 TEUs) from last June. So, despite the USWC ports' greater vulnerability to disturbances in the U.S.-China trade, East Coast ports fared measurably worse, export-wise.

Along the Gulf Coast, Houston's outbound box trade soared by 15.3% (+14,106 TEUs), but New Orleans faltered by 5.9% (-1,629 TEUs), leaving the Gulf Coast with a combined gain of 10.4% or +14,106 TEUs over last June.

The two British Columbia ports went wholly different directions in June. At Prince Rupert, outbound loads plunged by 22.4% (-4,415 TEUs), while Vancouver recorded a 2.1% (+2,138 TEUs) gain.

Looking solely at the sixteen U.S. mainland ports that we monitor, June's container export trade slipped 2.1% (-22,846 TEUs) from a year earlier. The Big Five USWC ports in June accounted for a 39.5% share of all loaded outbound TEUs shipped out of U.S. mainland ports, down from a 40.1% share a year earlier.

Focusing now on outbound loads from the seven major container ports on the Pacific Coast in the U.S. and Canada, export traffic declined by 3.1% (-17,379 TEUs) from last June. The USWC share of the Pacific Coast container export trade in June amounted to 78.4%, off slightly from 78.7% a year ago.

Weights and Values. Nearly all discussions of container trade are denominated in TEUs. Here, though, we present 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.

Exhibit 4: USWC Ports and the Worldwide Container Trade. Exhibit 4 attests to the steady decline in the volume of containerized imports at USWC ports. The



Parsing the June 2019 Loaded TEU Numbers *Continued*

Exhibit 4 USWC Port Regions' Shares of U.S. Mainland Ports Worldwide Container Trade, June 2019

	Jun 2019	May 2019	Jun 2018
Shares of U.S. Mainland Ports Worldwide Containerized Import Tonnage			
LA/LB	27.3%	27.6%	29.7%
Oakland	4.1%	4.0%	4.1%
NWSA	5.2%	5.6%	5.8%
Shares of U.S. Mainland Ports Worldwide Containerized Import Value			
LA/LB	35.1%	34.8%	37.1%
Oakland	3.8%	3.5%	3.6%
NWSA	6.9%	6.7%	7.0%
Shares of U.S. Mainland Worldwide Containerized Export Tonnage			
LA/LB	21.5%	21.7%	24.3%
Oakland	6.0%	6.2%	5.6%
NWSA	7.9%	7.8%	8.5%
Shares of U.S. Mainland Worldwide Containerized Export Value			
LA/LB	20.7%	20.6%	22.5%
Oakland	6.0%	6.1%	5.8%
NWSA	4.5%	4.2%	4.5%

Source: U.S. Commerce Department.

Exhibit 5 USWC Port Regions' Shares of U.S. Mainland-East Asia Container Trade, June 2019

	Jun 2019	May 2019	Jun 2018
Shares of U.S. Mainland Ports' East Asian Container Import Tonnage			
LA/LB	44.2%	44.5%	43.9%
Oakland	4.8%	4.6%	4.4%
NWSA	7.7%	7.9%	8.2%
Shares of U.S. Mainland Ports' East Asian Container Import Value			
LA/LB	51.8%	51.7%	52.5%
Oakland	4.5%	4.0%	4.0%
NWSA	9.8%	9.6%	9.8%
Shares of U.S. Mainland Ports' East Asian Container Export Tonnage			
LA/LB	36.3%	35.9%	39.2%
Oakland	9.3%	9.3%	7.8%
NWSA	12.8%	12.6%	13.2%
Shares of U.S. Mainland Ports' East Asian Container Export Value			
LA/LB	41.1%	43.1%	45.5%
Oakland	11.0%	11.4%	9.9%
NWSA	8.6%	8.7%	8.4%

Source: U.S. Commerce Department.

two San Pedro Bay port saw their combined share of containerized import tonnage in June slip to 27.3% from 29.7% a year earlier. Similarly, the two experienced a parallel drop in the declared value of containerized imports to 35.1% from 37.1% last June. Oakland fared better, holding its tonnage share and growing its value share. The NWSA ports did neither.

Similarly with respect to exports, the Southern California ports continued to lose market share, whether measured in tonnage or dollar value. Oakland's shares in both categories improved, but the NWSA ports had mixed results.

Exhibit 5: USWC Ports and the East Asia Trade. Now focusing on the June figures on containerized imports arriving at U.S. mainland ports from East Asia, we see

that the Ports of Los Angeles and Long Beach saw their combined share of import tonnage edge up to 44.2% from 43.9% as anxieties over tariffs on Chinese goods led to an import surge at the California ports but apparently not at the NWSA ports. Interestingly, the haste to get a wide variety of Chinese products past the Customs House gave rise to an actual increase in the San Pedro Bay ports' share of import tonnage but a decline in their share of the value of those imports. Historically, shippers have preferred to move their more expensive merchandise through West Coast ports – especially those in the Southern California. Elsewhere along the coast, Oakland fared better than the NWSA ports.

On the export side, San Pedro Bay's share of containerized exports to East Asia declined sharply in both tonnage



Parsing the June 2019 Loaded TEU Numbers *Continued*

and value terms. Oakland's numbers improved, but NWSA shares were down in tonnage but up in value.

First Glimpse at July's Numbers

Expectations of an early peak importing season failed to materialize in July at Southern California's maritime gateway. While the Port of Los Angeles posted a respectable 8.7% increase over July of last year, that gain was almost entirely erased by a 9.1% drop at the Port of Long Beach. With the Port of Oakland reporting a 7.5% bump in inbound loads, the California ports collectively were up by 1.2% (+10,184 TEUs) from a year earlier. Elsewhere, however, the numbers from the more quick-to-report ports were more buoyant. Virginia posted a 4.3% bump, and Savannah was up 8.5%.

Who's #2?

It's now the Port of Long Beach again. The reign of the Port of New York/New Jersey as America's second busiest container port was brief.

So here's the latest tally. At the halfway point in CY2019, Long Beach reported handling 3,685,635 total TEUs (loaded + empty). PNYNJ, by comparison, reported a June YTD count of 3,658,410 TEUs or just 22,225 fewer TEUs than its Southern California rival.

Jock O'Connell's Commentary: Taking Stock at Halftime 2019

Now that we've gathered up all the first-half trade figures, how are the five major U.S. West Coast container ports faring?

The good news is that we are definitely not ready for the "dearly beloved, we are gathered here today" services. But the numbers are frankly discouraging. Yes, the raw numbers are mostly up. Through June, the big USWC container ports did handle 141,105 more TEUs than they had last year at this juncture. Yet that was a gain of just 1.3%, downright meager when compared with other major ports. The Port of New York/New Jersey, for example, recorded a 5.9% first-half increase (+202,372 TEUs), while total container traffic at Houston jumped 11.9% (+155,249

TEUs) and by 6.1% (+128,664 TEUs) at Savannah. Only two ports in the nation sustained year-over-year declines in the number of total TEUs handled during the first-half, Port Everglades (-7.3% or -41,992 TEUs) and the Port of Long Beach (-6.8% or -267,296 TEUs). Leaving Long Beach aside, the other four major USWC ports actually moved 408,275 more TEUs this year than last, a respectable increase of 5.6%.

It will be interesting to see whether the rankings get reshuffled again when both ports release their July TEU tallies. We already know that Long Beach had yet another off month in July as total container traffic through the port fell 9.7% (-66,677 TEUs) from July 2018. Through the first seven months of the year, Long Beach has handled 4,307,415 TEUs.

History suggests we should soon see things turn around at Long Beach, which has seen generally negative container import growth rates over the past several months. For example, in the first seven months of CY2019, inbound loads at Long Beach have been down 9.1% from the same period a year earlier, while they have been up 3.0% at LA. So it's worth pointing out that, over the first seven months of CY2018, inbound loaded TEU traffic at Long Beach was up 9.5% but down 0.2% at LA. The quasi-incestuous links between some shipping lines and certain terminal operators and the minimum guaranteed volume clauses in the leases that terminal operators have with the ports play major roles in determining where containers go within the two-port complex.

The Left Coast picture dims, however, when we count only those containers actually containing goods. Inbound loads were down 1.8% (-97,588 TEUs) at all five USWC ports, while outbound loads were off by 5.1% (-136,824 TEUs) from last year's first six months.



Commentary Continued

Thank Neptune for a robust trade in empty boxes making their way back to Asia. At the Port of LA, empties in the first-half of this year jumped by 21.4% from a year earlier. Up at the NWSA ports, empties surged by 34.6% in the first-half, while Oakland's empty TEU tally rose by 6.2% over last year. At Long Beach, though, empty TEUs were down 0.7%.

Along the USWC, any hopes for higher growth rates were dashed by deeply negative numbers at Long Beach. While 229,504 more loaded and empty TEUs (+5.3%) passed over the docks at the Port of Los Angeles, next door at the Port of Long Beach things were far from copacetic as total container moves fell by 6.8% (-267,296 TEUs). That left the two San Pedro Bay ports, by far America's principal maritime gateway, in the position of handling 37,792 fewer TEUs than they had a year earlier.

Similarly, where Los Angeles eked out a 1.8% (+40,226 TEUs) gain in loaded inbound containers through the first-half, Long Beach sustained a 9.0% drop (-178,444 TEUs). So, while Oakland (+3.0% or +14,001 TEUs) and the NWSA ports (+4.0% or +26,629 TEUs) reported relatively healthy import numbers, Long Beach's import massive deficit meant that the number of loaded TEUs passing through USWC ports was down 97,588 from last year, a decline of 1.8%.

Outbound loads from the USWC ports were down except at Oakland, which saw a 2.4% (+10,974 TEUs) increase in its containerized export trade. Elsewhere, the numbers strongly reflected a trading environment hampered by a serious trade conflict with China, a strong dollar, and slowing economic growth abroad. Outbound loads from Los Angeles were down 4.6% (-43,671 TEUs) in the first-half, while Long Beach handled 80,992 fewer outbound loads, a 10.0% drop. The Seattle-Tacoma alliance shipped 23,135 fewer loaded TEUs, a 4.9% fall-off from last year. Altogether, 136,824 fewer loaded TEUs sailed from the USWC ports in this year's first-half, a 5.1% decline.

The long-term slough. How do these latest figures relate to the long-term slide of the U.S. West Coast ports' shares of the nation's containerized import trade? Looking back over the past decade and a half, the actual numbers of imported loaded TEUs have risen substantially at all five

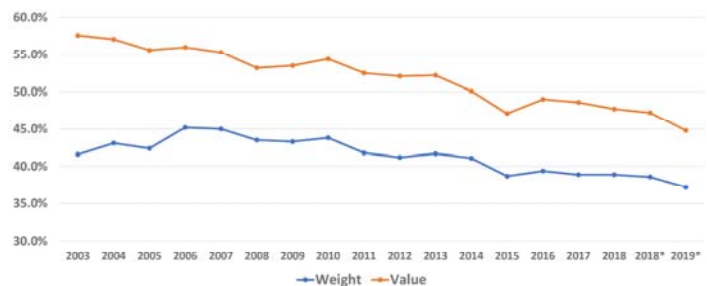
ports. Between 2003 and 2018, inbound loaded container tallies have risen 73.1% at Long Beach, 33.7% at Los Angeles, 86.9% at Oakland, and 34.5% at the NWSA ports. Nonetheless, various developments have driven market share numbers steadily (well, almost steadily) lower. That's apparent from the following graphs.

Exhibits 6-9 portray the USWC ports' shares of the declared tonnage and value of containerized imports from all nations that passed through mainland U.S. ports between 2003 and the first six months of this year. The following Exhibits 10-13 focus on containerized imports from East Asia and more clearly depict the USWC's diminishing share of the eastbound transpacific container trade. Each set begins with an overview of all five USWC ports followed by individual exhibits graphing what's been happening at LA/LB, NWSA, and Oakland. (Note that the years denoted with asterisks cover the first-halves of the respective years.)

I offer these graphs without further commentary, preferring instead to let the trend lines do all the grimacing.

Exhibit 6 USWC Ports' Share of All U.S. Containerized Imports

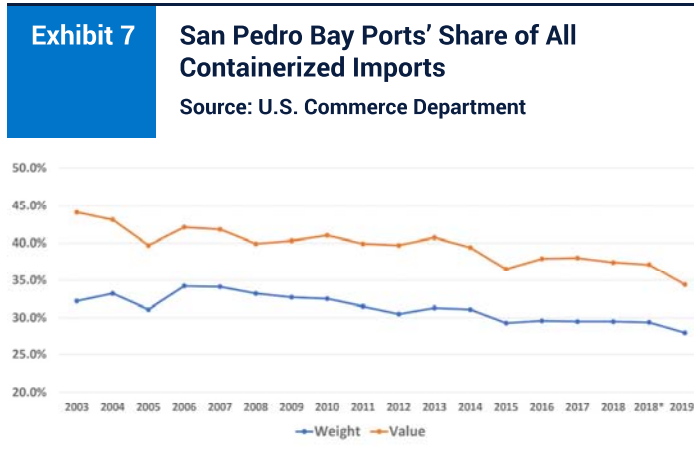
Source: U.S. Commerce Department



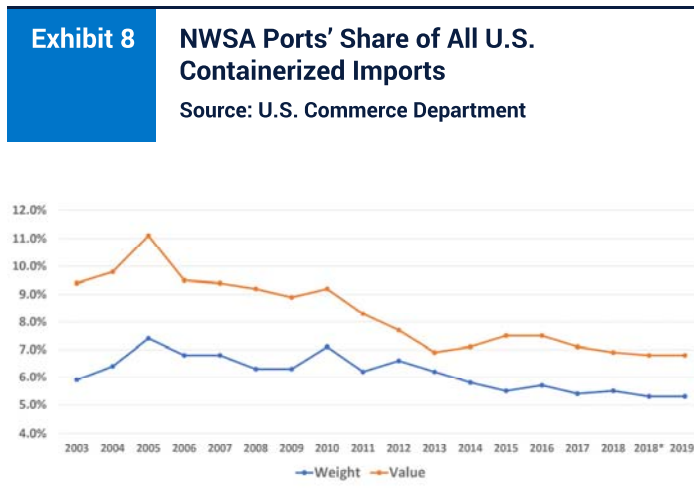


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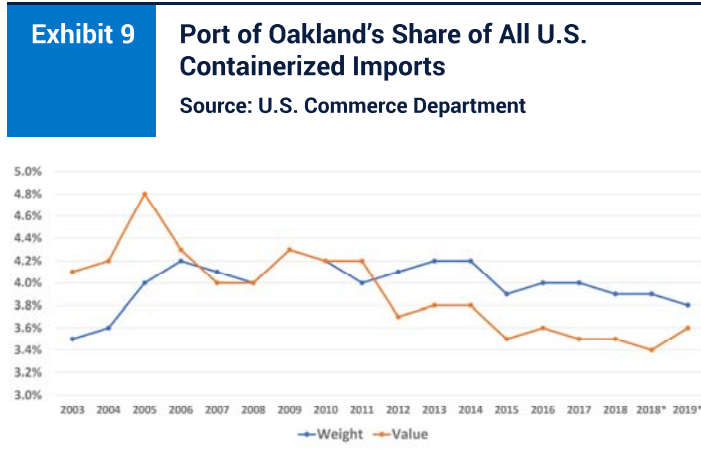
Here is the graph representing the collective erosion of market share at the Ports of Los Angeles and Long Beach.



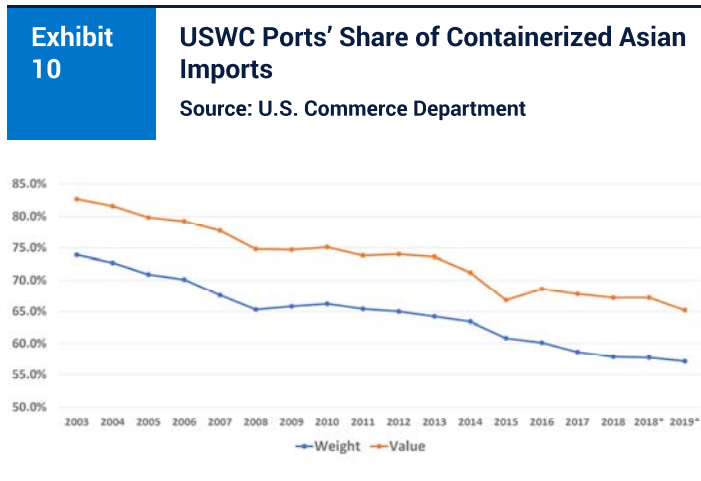
At the Northwest Seaport Alliance, the declines in market share were more pronounced earlier in the century but have moderated somewhat in recent years. Still, the trend is not one anyone would describe as a growth trajectory.



Then there is the Port of Oakland, which has fared best among the major USWC ports in maintaining its share of the nation's import trade.



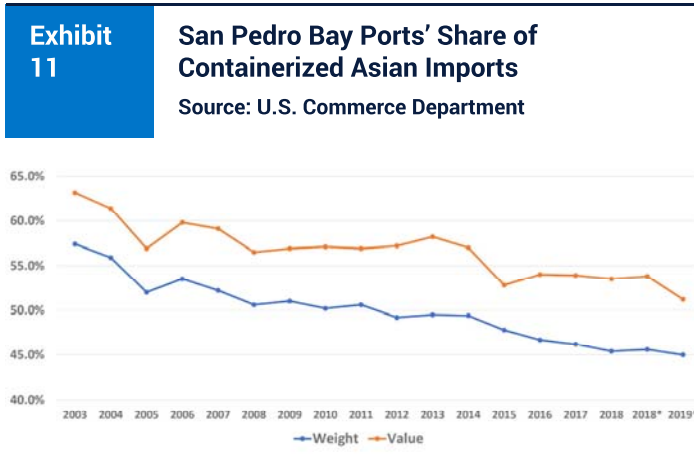
The competition for the eastbound transpacific container trade has not favored USWC ports. Here we examine how the ports have fared in term of the tonnage and value of containerized shipments from East Asian into U.S. mainland ports.



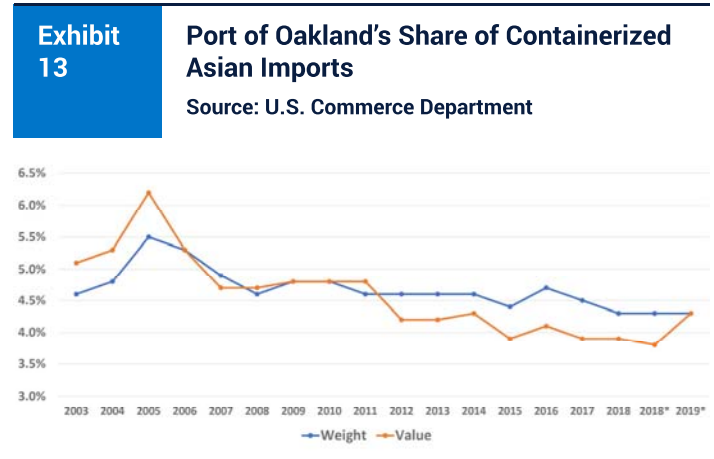


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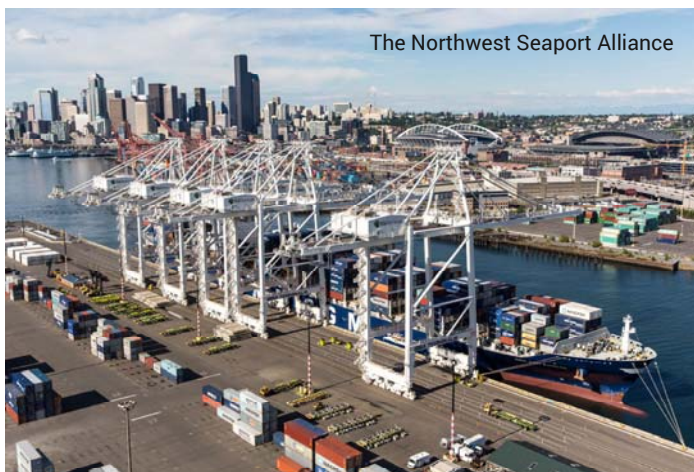
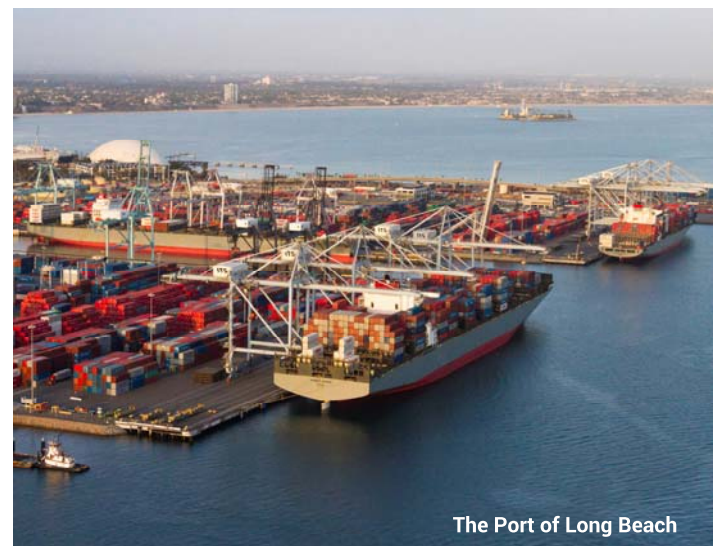
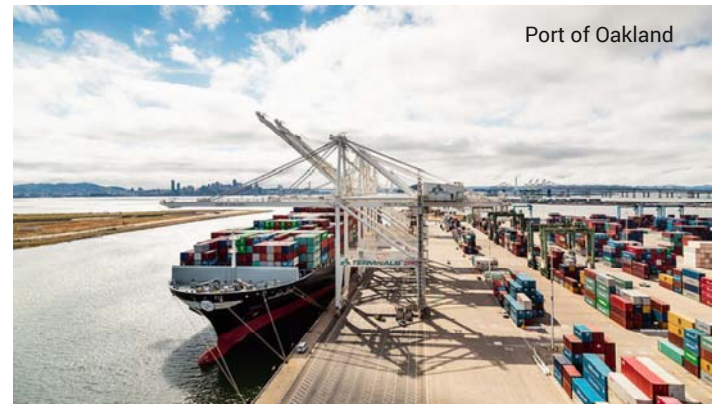
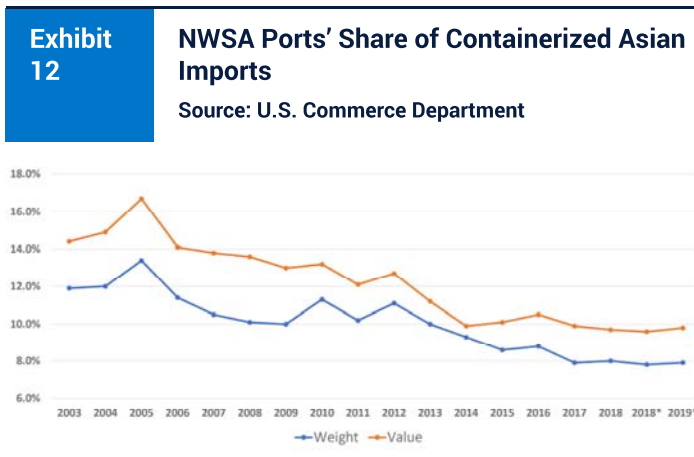
Here is the corresponding San Pedro Bay graph.



And finally Oakland's trend lines.



Now the NWSA ports.





On The Road To Perdition?

By Thomas Jelenić
Vice President, Pacific Merchant Shipping Association

The Ports of Long Beach and Los Angeles are both over 100 years old. Over that time, they have provided economic benefits to the local community, the local region, and the nation. On the very local level, these ports have shaped the community. For my part, I'm a lifelong San Pedro resident. My family immigrated to the U.S. to work as fishermen, shipbuilders, and longshoremen. While it's easy to see the importance of the ports to the local communities, their impact regionally is even more impressive.

Let's start with jobs. Throughout this article, I will be referring to the Port of Long Beach's Economic Impact Study. Its results are only for the estimated impact of the Port of Long Beach; the Port of Los Angeles adds greatly to the twin ports' economic impact. In the five-county region, the Port of Long Beach supports almost 600,000 direct, indirect and induced jobs, providing nearly \$31 billion in income, and generating nearly \$90 billion in economic output. In addition to the economic output, port-related activities also generate tax revenues for local communities. In the five-county region, port activity generates \$6 billion in state and local taxes. And another \$5.9 billion in federal taxes.

If you expand your view out to the entire nation, that jobs figure grows to 2.6 million jobs generating \$127 billion in income, \$374 billion in economic output, \$23 billion in state and local taxes, plus \$24 billion in federal taxes. The value created by the Port of Los Angeles would add to those numbers.

One of the things that the port's most recent economic analysis brings into sharp focus is the importance of the ports to local exporters. These two ports overwhelmingly serve California and more specifically, Southern California.

At the top of the list is aircraft and parts, followed by machinery, vehicles and parts, plastic products, followed by fabrics (think designer clothing). Southern California supports nearly 2 billion square feet in industrial space that employs people from logistics, warehousing, and

manufacturing. Despite that, it is easy to forget that Southern California has the largest concentration of manufacturers in the nation.

Preserving that economic impact should be a top priority for policymakers today. However, the headwinds that our local ports are facing seem to be ignored by every level of government from cities to the State. A decade of declining market share has done some damage and has, unfortunately, not set off alarm bells. San Pedro Bay is home to the largest port and sometimes second largest port in the nation. The Port of Long Beach is in a fight for bragging rights with the Port Authority of New York/New Jersey (PANYNJ) for the number two spot. The last time PANYNJ held the number two spot was 27 years ago.

If this was just about bragging rights, no one should care. But there are more important metrics. Cargo moving through these ports bring jobs, economic activity and tax revenue throughout our entire region. Lost market share represents lost jobs, lost tax revenue, and lost economic activity.

The headwinds are stiff. There is increasing uncertainty and increasing regulatory costs. For example, in their updated Clean Air Action Plan, our local port authorities have set ambitious, faith-based goals to deploy zero emission equipment across the port complex by 2030 for cargo-handling equipment and by 2035 for on-road trucks. There is only one problem: the type of equipment they envision does not currently exist. That makes planning and investment nearly impossible. How can terminals invest in new infrastructure and equipment if they don't know if they will be able to keep that equipment?

The emission reduction efforts at our ports has been an incredible success involving a combination of regulations, voluntary programs and a willingness to experiment with new technology. It hasn't been easy, nor has it been cheap. Current programs have reduced diesel particulate matter from trucks and cargo-handling equipment by 96%. The updated CAAP is seeking to reduce the final 4% of



On The Road To Perdition? *Continued*

port-related emissions. For these final 4% of port-related emissions, the CAAP estimates a total cost of about \$12 billion. And that is based on a number of optimistic assumptions.

More challenging is the fact that State of California has taken these aspirational goals and has laid out a regulatory roadmap to implement them. The fact that the technology does not exist and the environmental benefit is de-minimis seems to be irrelevant. So does the potential harm to one of the State's most important economic engines.

There are now also fights brewing in local city halls, county offices, and State legislature over what sort of equipment should be allowed. There is growing concern about the impact of automation on middle-class jobs. Reasonably so. Generally, sectors throughout California have not offered any sort of safety net to the risk of automation. However, that is not the case on the waterfront.

A decade ago, waterfront employers and the union reached a deal to allow the automation of terminals. As part of that deal, the union was given guaranteed income for life, guaranteed pensions, and a supplement to the pension contribution, which over the last ten years, have totaled \$800 million in payments, in exchange for the right to automate and the guarantee not to interfere with the right to automate.

If every industry facing automation took this approach, we would all be in a much better place. Yet, despite the protections that have been given, it looks like policymakers want to have a fight over automation. And they are prepared to do so in a way that will undermine the credibility of our ports as a reliable supply chain partner. Having laid the groundwork to protect workers from the impact of automation, you would think that policymakers would hold up the waterfront as the ideal and use that to demonstrate California's long-term reliability.

This lack of leadership and policy uncertainty leave San Pedro Bay in a difficult place to compete. Decades of thoughtful planning have left these two ports with the best infrastructure in the nation. The ports could be well placed to compete nationally for cargo entering the U.S. and the hundreds of thousands of jobs that are generated locally. The question is will we have policies that continue to support both jobs in the port and the hundreds of thousands of jobs in our communities.

Interested in membership in PMSA?

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

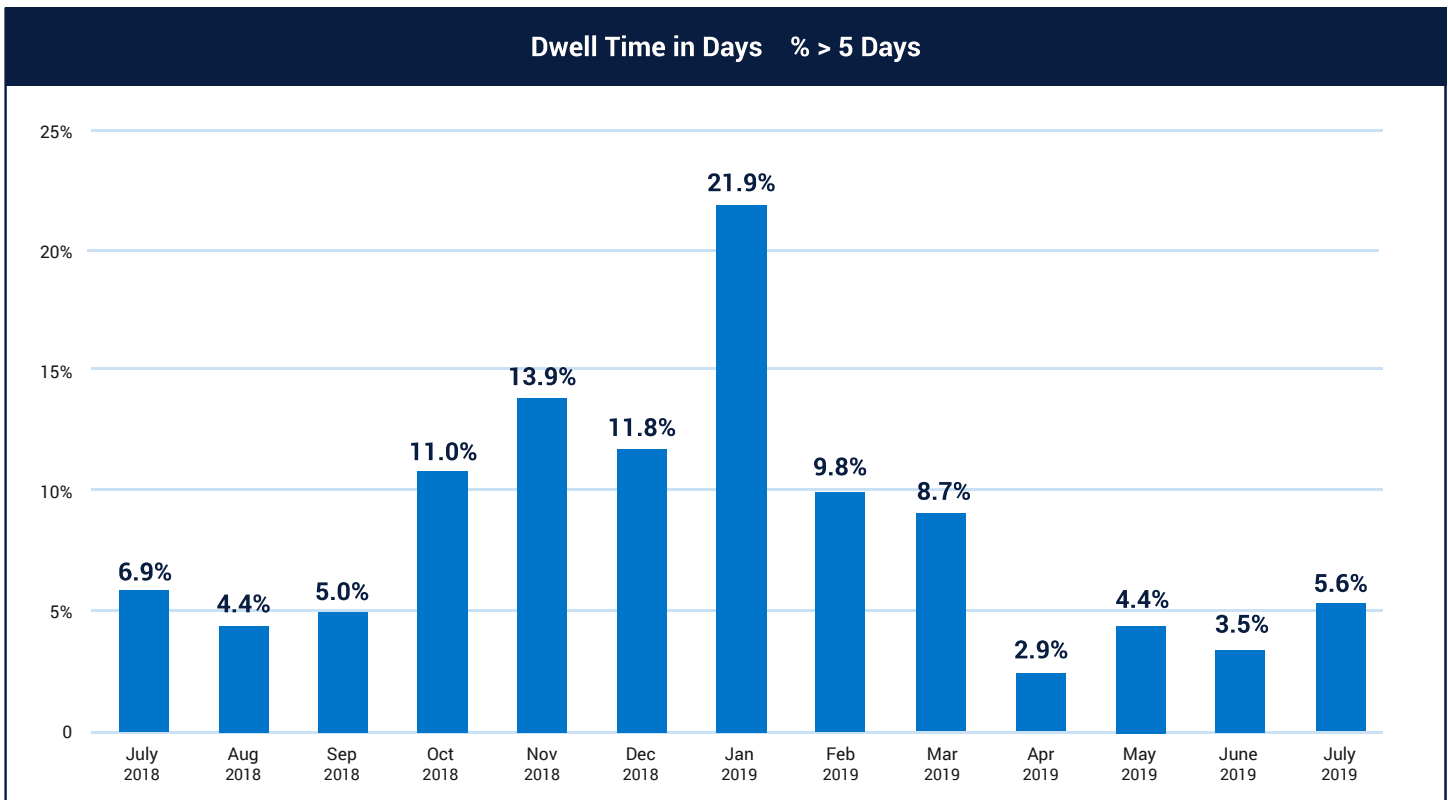
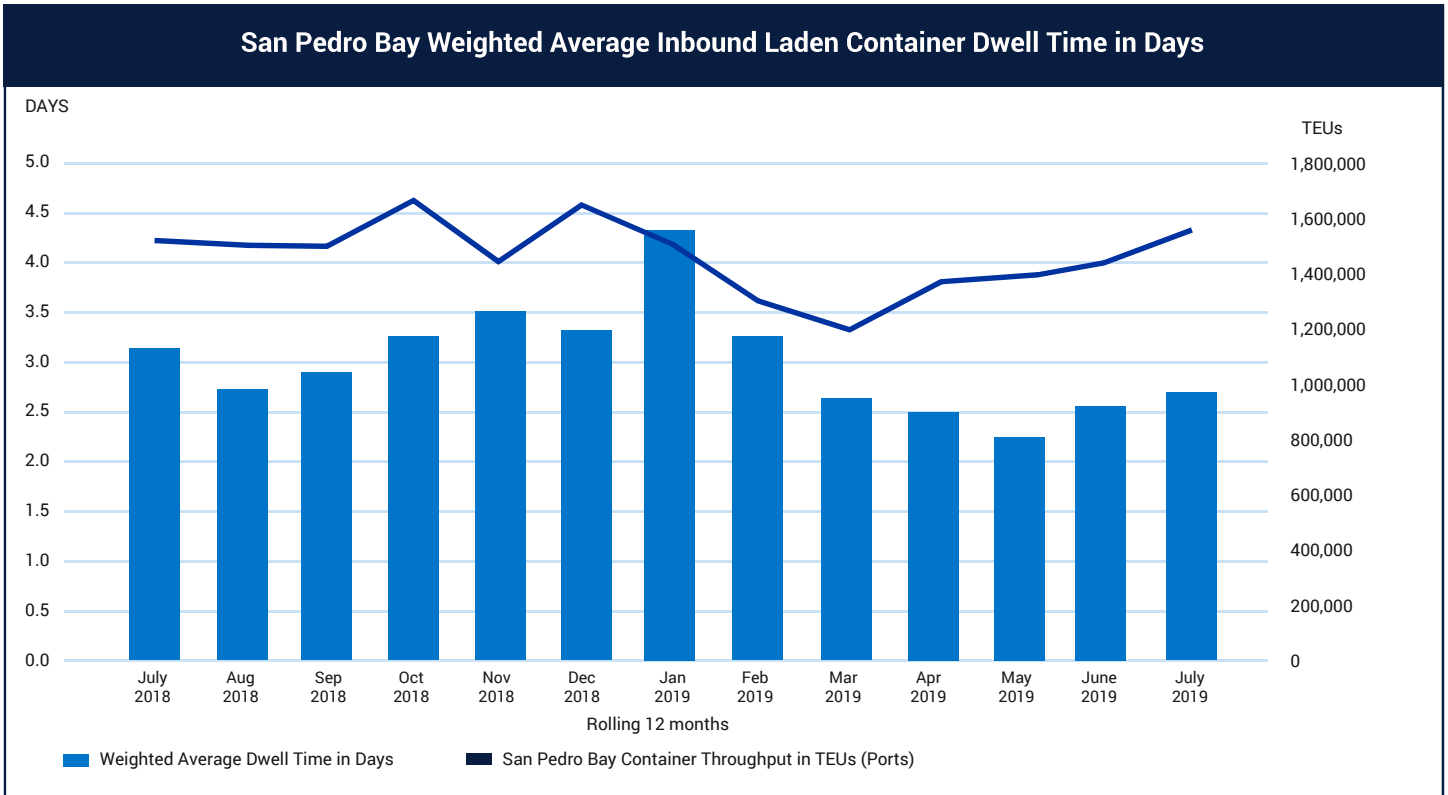
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July Dwell Time Numbers Are Up





Around the Docks

Satsop Business Park Westport Marina Coastal Innovation Zone Bowerman Airport PGH Pilotage Services Friends Landing & Sterling Landing

PGH Mission: To best utilize our resources to facilitate, enhance and stimulate international trade, economic development and tourism for the region.

Industry Recognition

Satsop's "Think Big" campaign wins big in AAPA Communications Awards

The American Association of Port Authorities (AAPA) has awarded the Port of Grays Harbor an Award of Excellence for its "Think Big: Satsop Business Park" entry into the 53rd Annual AAPA Communications Award Program.

The entry was submitted in the Overall Campaign category and highlighted the use of the Park's unique and large infrastructure as a successful marketing campaign utilizing print and digital ads, billboards, banners, and other promotional materials.

"The "Think Big" campaign has brought measurable results to the Park and it is an honor to be recognized by AAPA for those efforts," shared Commissioner Phil Papac. "We congratulate our hardworking staff on a job well done."



Investing in Infrastructure

Westport Marina dredging to begin September 4th

Phase II – In-water disposal Federal Channel – NO dredging
 Phase I – Upland disposal Phase I – In-water disposal



The Westport Marina, Washington's number one seafood landing port, will be offering walking tours of its busy working waterfront in August. Photo Credit: Lost River Photography

Serving thousands of commercial and recreational users each year, the Westport Marina will be dredged for the first time in 39 years beginning September 4th.

The project will take place in two phases, carried out by two contractors working in coordination to limit user impacts and improve efficiency. The project is expected to be completed by January 31, 2020.

Phase I will commence the first week of September with Bergerson Construction beginning in-water work near floats 15 & 17. The work will include dredge material being disposed of in an upland site via pipeline. Phase II will begin shortly after Phase I and be carried out by Pacific Pile and Marine. Phase II

dredging will include in-water disposal via pipeline to the permitted Point Chehalis disposal site.

"We are excited to get this critical project underway and are confident our contractors have put together a well-coordinated plan to keep the project on track and minimize impacts to our diverse user groups," explained Westport Marina Business Manager Molly Bold. "Communication and cooperation with our users will be critical over the next several months. Once complete, we are confident this project will benefit them for many years to come."

For the most up-to-date information regarding Marina dredging please visit portofgraysharbor.com or call 360-533-9562.

BHP submits revised application for Terminal 3 project



In early August, BHP submitted revised land use and shoreline permit applications, as well as a new SEPA checklist to the City of Hoquiam for a proposed potash export facility at the Port of Grays Harbor's Terminal 3 property in west Hoquiam.

The revised applications are a result of several months of stakeholder and agency engagement and feedback. For more information about the project and to view the application and assessments, visit www.bhp.pghpotashexport.

Honoring Port Leadership

Our Aberdeen dedicates new maritime history mural to Jack Thompson

Aberdeen's newest mural, "Grays Harbor, A Maritime History", located on the side of historic Billy's restaurant was recently dedicated to late Port Commissioner Jack Thompson.

Our Aberdeen commissioned the mural in 2018. It was designed and painted by local artist Jenny Fisher and showcases the various types of ships that have been a part of Grays Harbor's maritime past.

Commissioner Thompson was active in the Our Aberdeen organization and passionate about improving downtown Aberdeen. His family and friends joined in the mural dedication that reads, "Remembering Jack Thompson, A Man of the Harbor".



Calendar

- August 29 Westport Marina Walking Tour, 3:30pm
WL Kirillow@ T2
- September 2 *Siem Plato@ T4*
- September 7 *GH Northern Dancer @ T2*
Daiwan Champion@ T2
- September 10 PGH Commission Meeting, Westport Maritime Museum
9:00am
- September 15 *Siem Socrates@ T2*
- September 26 Satsop Walking Tour, 3pm



Around the Docks

is a publication of the

Port of Grays Harbor

On Washington's Pacific Coast

It is available online at
PortofGraysHarbor.com

To join our mailing list contact
Amy Carlson at acarlson@portgrays.org

State of Washington
Pilotage Commission
September 19, 2019

Grays Harbor District Report

Arrivals YTD August 31, 2019 were 54 for a total of 144 jobs. Capt. D'Angelo had the duty in August and will continue the watch in September and October. Capt. White will have the duty in November. We had 9 arrivals in August 2019. Our most recent forecast of 82 arrivals looks very attainable. Our dry bulk shipments remain very strong. September lineup 6 dry bulk, 3 roro and one logger.

Pilot Boat Chehalis

Work on hull was completed and Chehalis put back in service. The remaining topside work will be done during slow periods at berth.

Inner Harbor Maintenance Dredging

I reported last month that we didn't expect any fall dredging in the federal channel but that changed and Corps contractor has been dredging most of September. We plan to have contractor dredge T-2 at the end of September prior to QIN fall fishing season.

Terminal Maintenance Dredging

Business Development

Export Potash Facility. BHP's Grays Harbor Potash Export Facility site: www.bhp.com/pghpotashexport

The City and its consultant, Anchor Environmental, issued a Notice of Application for Shoreline Substantial Development, Shoreline Conditional Use, and Shoreline Variance; Zoning Conditional Use; and Mitigated Determination of Non-Significance (MDNS), on Thursday, September 12th.

The public comment period for the Shoreline Application and Zoning Conditional Use Application is September 12 – October 14th. The SEPA public comment period is September 12 – September 27th.

Contanda. Contanda has submitted SEPA for adding two additional pipelines to Terminal 1 to allow for diversification of existing tank storage.

PUGET SOUND PILOTAGE DISTRICT ACTIVITY REPORT

Aug-2019

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:	650	Cancellations:	6						
Total ship moves:	644	Cont'r:	204	Tanker:	193	Genl/Bulk:	66	Other:	181
Assignments delayed due to unavailable rested pilot:	10	Total delay time:	28.25						
2 pilot jobs:	47	Reason:	PSP GUIDELINES FOR RESTRICTED WATERWAYS						
Day of week & date of highest number of assignments:	THU 8/8		28						
Day of week & date of lowest number of assignments:	MON 8/5, MON 8/19		8						
Total number of pilot repositions:	129								

Comp Days

Beg Total -	3433	Call Backs (+)	116	Used (-)	80	Ending total	3469
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Pilots Out of Regular Dispatch Rotation (pilot not available for dispatch during "regular" rotation)

A. Training & Continuing Education Programs

Start Dt	End Dt	City	Facility	Program Description	Pilot Attendees

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

Start Dt	End Dt	City	Group	Meeting Description	Pilot Attendees
1-Aug	5-Aug	Seattle	PSP	President	CAI
6-Aug	6-Aug	Seattle	PSP	BOD	ANA, CAI, COL, KLA, NEW, SEM
7-Aug	7-Aug	Seattle	PSP	UTC	CAI, COL, KLA, MOT
7-Aug	7-Aug	Seattle	PSP	HABRO Safety	NEW
12-Aug	12-Aug	Seattle	PSP	TUG-Crowley	BOU
14-Aug	14-Aug	Seattle	PSP	UTC Workshop	CAI, COL, KLA, MOT, SCR
14-Aug	14-Aug	Seattle	BPC	TEC	MAY, SCR
15-Aug	15-Aug	Aberdeen	BPC	BPC	SCR
16-Aug	16-Aug	Seattle	BPC	UTC Prep	COL
20-Aug	20-Aug	Seattle	PSP	USCG-FED Pilotage	MYE
21-Aug	22-Aug	Seattle	PSP	President	CAI
26-Aug	27-Aug	Seattle	PSP	UTC	CAI
28-Aug	30-Aug	Seattle	PSP	President	CAI

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

Start Dt	End Dt	REASON	PILOT
1-Aug	31-Aug	Not fit for duty	SAN
6-Aug	13-Aug	Earned Time Off	EME, HEN, JEN, ROU, SEY
20-Aug	27-Aug	Earned Time Off	ANT, BRO, CAI, MOB
21-Aug	27-Aug	Earned Time Off	MCG

Presentations

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

- ⌚ *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 scheduled Board Meeting to allow adequate time for the Commissioners and the public to review and prepare for discussion.*

Other Information (Any other information requested or intended to be provided to the BPC)
