



Parsing the June Container Trade Numbers

First Glance at July

First out of the box with July TEU numbers was the Port of Boston, reporting that outbound loaded TEUs were up but loaded outbound TEUs were not. To help our friends in Red Sox Nation put their port's business in perspective, the 28,329 TEUs that crossed Beantown's wharfs in July was about equal to what the Port of Los Angeles handles each day.

Out here on the Left Coast, July brought a sharp year-over-year drop in loaded inbound TEU numbers at Long Beach but a healthy increase next door at the Port of LA. Taken together, the San Pedro Bay ports recorded a decline of 1.3% (-10,010 TEUs) in loaded inbound traffic. On the loaded outbound side, the two ports saw a 2.4% (+6,715 TEUs) rise in loaded shipments. At Oakland, loaded inbound traffic slipped by 534 TEUs from last July, while loaded outbound trade was off by 7.3% (-5,486 TEUs). Further up the coast, the Northwest Seaport Alliance Ports of Seattle and Tacoma roared back with a 19.6% (+21,459 TEUs) leap in loaded imports and a 6.0% (+4,404 TEUs) gain in loaded export traffic.

Collectively, these five U.S. West Coast seaports posted a far from robust 1.1% (+10,915 TEUs) increase in inbound traffic and a similarly modest 1.2% (+5,270 TEUs) gain in outbound trade.

A press release from the Port of Long Beach attributed its fall-off in container traffic in July to "shipping alliances' decisions in July to shift vessel deployment and port calls." That shift does not appear to have affected business at the Port of LA or the NWSA ports. However, if true, it does not bode well for August since, of the alliances that have announced capacity reductions on eastbound transpacific routes, only the 2M alliance (Maersk and MSC) move took effect in July. The cutbacks announced by THE Alliance (Yang Ming, Hapag-Lloyd, and the Ocean Network Express) and the Ocean Alliance (Cosco, CMA CGM, Evergreen, and OOCL) were not scheduled to come into play until sometime in August.

Moving on to the June 2018 Loaded TEU Numbers

We now turn to a detailed look at June's loaded container traffic. Please note that this section does not count empty containers. Please also note that the 16 U.S. ports whose container trade statistics are presented in Exhibits 1 and 2 process approximately 95% of all containerized trade at U.S. mainland seaports. Exhibit 3 includes YTD totals at Philadelphia, Montreal, Lazaro Cardenas, and Manzanillo, which do not provide data that fully distinguish laden from empty containers.

On the inbound side, the five major U.S. West Coast seaports surfed on the back of a wave of imports induced, at least in part, by anxieties over possible new tariffs. The number of inbound laden TEUs at USWC ports in June totaled 984,871 TEUs, a robust 9.0% gain over the same month last year. The Port of Long Beach and the Northwest Seaport Alliance Ports of Seattle and Tacoma led the way in June, with inbound loaded TEUs up 14.5% and 12.7%, respectively. For the first half of the year, USWC imports were up 3.7% (+191,101 TEUs), with Long Beach again accounting for much of the increase.

June on the East Coast saw a 7.1% (+55,030 TEUs) improvement over the same month a year earlier, while first half numbers were up 6.6% (+293,919 TEUs).

Remarkably, although East Coast ports handled 11.4% fewer inbound TEUs than did the Big 5 USWC ports through the first six months of this year, the East Coast's 293,916 year-over-year increase in inbound laden TEUs was more than half-again larger than the 191,101 TEUs gain posted along the West Coast.

Along the Gulf Coast, the two ports we track reported a slender 1.3% (+1,405 TEUs) year-over-year increase in June, although first-half traffic was up 8.8% (+49,686 TEUs).



Parsing the June 2018 Numbers Continued

Up in British Columbia, inbound loaded traffic in June ran 3.6% (6,695 TEUs) ahead of last June, while first-half volumes were up 6.0% (+62,324 TEUs).

The 16 U.S. ports we track (i.e., ports that furnish us with data that distinguish loaded from unloaded containers) collectively reported handling 1,918,432 TEUs in June, up 7.7% over last June. First-half numbers totaled 10,685,099 TEUs, a 5.3% increase over the first six months of last year.

USWC ports' combined share of inbound loaded TEUs at these 16 U.S. mainland ports was 51.3% in June, up from 50.7% a year earlier. However, for the first-half, the USWC share slipped to 49.96% from 50.71% last year.

On the outbound side, loaded export container traffic at USWC ports was up 5.4% (+22,511 TEUs) over last June, while the first-half increase was limited to just 2.0% (+54,127 TEUs). Along the Atlantic Seaboard, outbound shipments in June grew by 4.1% (+21,180 TEUs) over the same month in 2017, while the first-half saw a 6.2% (+190,623 TEUs) improvement. Exports via our two Gulf Coast ports jumped 19.7% (+19,764 TEUs) in June, but first-half numbers were up a somewhat more modest 4.5% (29,741 TEUs). The two British Columbia ports we track saw a 14.5% (+15,065 TEUs) jump in June, but a less robust 3.7% (+23,626 TEUs) gain in the year's first half.

| Exhibit 1 | June 2018 - Inbound Loaded TEUs at Selected Ports | | | | | |
|--------------------------------|---|----------------|-------------|------------------|------------------|-------------|
| | Jun 2018 | Jun 2017 | % Change | Jun 2018 YTD | Jun 2017 YTD | % Change |
| Los Angeles | 382,964 | 372,272 | 2.9% | 2,220,041 | 2,245,281 | -1.1% |
| Long Beach | 384,095 | 335,328 | 14.5% | 1,992,252 | 1,758,412 | 13.3% |
| San Pedro Bay Totals | 767,059 | 707,600 | 8.4% | 4,212,293 | 4,003,693 | 5.2% |
| Oakland | 87,207 | 80,253 | 8.7% | 460,145 | 449,830 | 2.3% |
| NWSA | 130,605 | 115,892 | 12.7% | 665,687 | 693,501 | -4.0% |
| USWC Totals | 984,871 | 903,745 | 9.0% | 5,338,125 | 5,147,024 | 3.7% |
| Boston | 12,695 | 11,898 | 6.7% | 68,058 | 61,538 | 10.6% |
| NYNJ | 310,481 | 295,221 | 5.2% | 1,757,568 | 1,630,943 | 7.8% |
| Maryland | 42,889 | 40,581 | 5.7% | 251,666 | 227,972 | 10.4% |
| Virginia | 105,955 | 103,006 | 2.9% | 629,795 | 602,602 | 4.5% |
| South Carolina | 85,416 | 81,307 | 5.1% | 486,016 | 480,691 | 1.1% |
| Georgia | 175,617 | 154,738 | 13.5% | 991,483 | 904,211 | 9.7% |
| Jaxport | 27,372 | 23,932 | 14.4% | 152,355 | 144,650 | 5.3% |
| Port Everglades | 30,008 | 25,972 | 15.5% | 187,597 | 186,742 | 0.5% |
| Miami | 34,830 | 33,578 | 3.7% | 205,740 | 197,010 | 4.4% |
| USEC Totals | 825,263 | 770,233 | 7.1% | 4,730,278 | 4,436,359 | 6.6% |
| New Orleans | 10,571 | 9,851 | 7.3% | 61,087 | 52,894 | 15.5% |
| Houston | 97,727 | 97,042 | 0.7% | 555,609 | 514,116 | 8.1% |
| USGC Totals | 108,298 | 106,893 | 1.3% | 616,696 | 567,010 | 8.8% |
| Vancouver | 142,202 | 135,290 | 5.1% | 833,996 | 803,553 | 3.8% |
| Prince Rupert | 51,617 | 51,834 | -0.4% | 274,592 | 242,711 | 13.1% |
| British Columbia Totals | 193,819 | 187,124 | 3.6% | 1,108,588 | 1,046,264 | 6.0% |

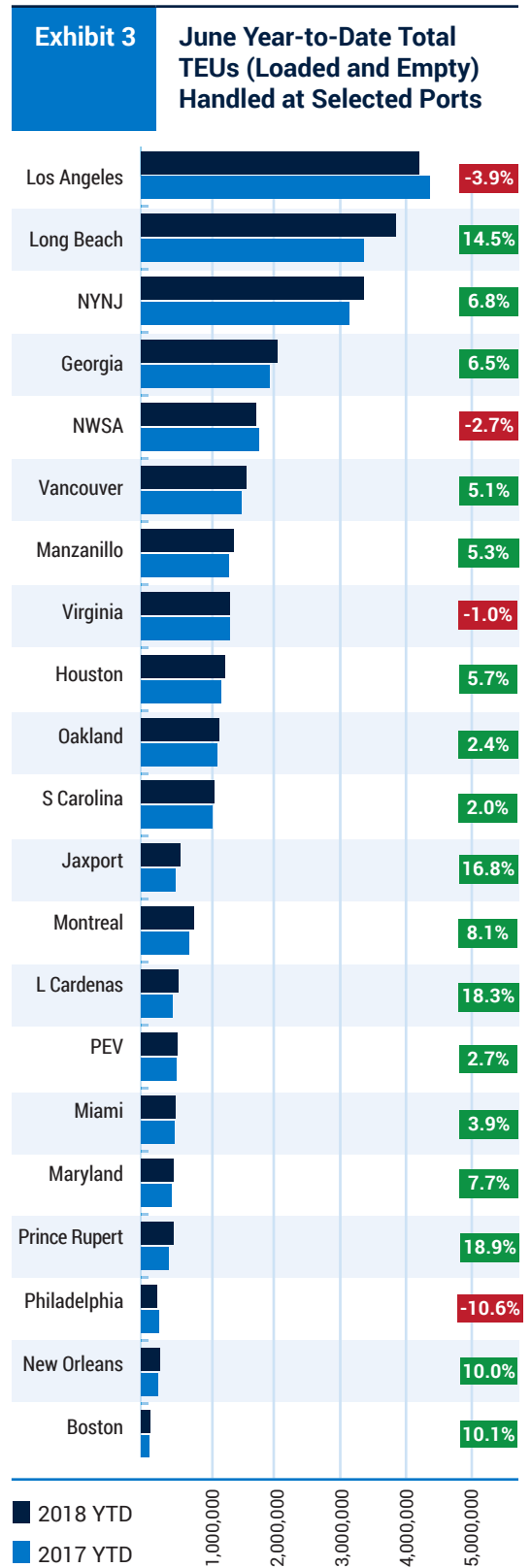
Source Individual Ports



Parsing the June 2018 Numbers Continued

| | June 2018 - Outbound Loaded TEUs at Selected Ports | | | June Year-to-Date Total TEUs (Loaded and Empty) Handled at Selected Ports | | |
|--------------------------------|--|----------------|--------------|---|------------------|-------------|
| | Jun 2018 | Jun 2017 | % Change | Jun 2018 YTD | Jun 2017 YTD | % Change |
| Los Angeles | 147,563 | 145,528 | 1.4% | 952,281 | 982,379 | -3.1% |
| Long Beach | 135,168 | 118,304 | 14.3% | 813,215 | 711,830 | 14.2% |
| San Pedro Bay Totals | 282,731 | 263,832 | 7.2% | 1,765,496 | 1,694,209 | 4.2% |
| Oakland | 71,894 | 75,460 | -4.7% | 452,677 | 461,128 | -1.8% |
| NWSA | 85,088 | 77,910 | 9.2% | 476,865 | 485,574 | -1.8% |
| USWC Totals | 439,713 | 417,202 | 5.4% | 2,695,038 | 2,640,911 | 2.0% |
| Boston | 7,127 | 7,354 | -3.1% | 41,246 | 42,631 | -3.2% |
| NYNJ | 129,505 | 122,119 | 6.0% | 756,389 | 692,521 | 9.2% |
| Maryland | 19,133 | 20,744 | -7.8% | 118,805 | 120,753 | -1.6% |
| Virginia | 80,594 | 81,534 | -1.2% | 509,050 | 520,959 | -2.3% |
| South Carolina | 68,060 | 65,539 | 3.8% | 425,207 | 405,822 | 4.8% |
| Georgia | 124,822 | 112,845 | 10.6% | 763,482 | 700,792 | 8.9% |
| Jaxport | 37,855 | 36,975 | 2.4% | 242,719 | 203,841 | 19.1% |
| Port Everglades | 38,259 | 36,939 | 3.6% | 227,915 | 213,169 | 6.9% |
| Miami | 32,876 | 33,002 | -0.4% | 199,559 | 193,261 | 3.3% |
| USEC Totals | 538,231 | 517,051 | 4.1% | 3,284,372 | 3,093,749 | 6.2% |
| New Orleans | 27,527 | 21,419 | 28.5% | 144,119 | 138,389 | 4.1% |
| Houston | 92,323 | 78,667 | 17.4% | 541,010 | 516,999 | 4.6% |
| USGC Totals | 119,850 | 100,086 | 19.7% | 685,129 | 655,388 | 4.5% |
| Vancouver | 99,577 | 91,015 | 9.4% | 553,089 | 560,378 | -1.3% |
| Prince Rupert | 19,669 | 13,166 | 49.4% | 106,924 | 76,009 | 40.7% |
| British Columbia Totals | 119,246 | 104,181 | 14.5% | 660,013 | 636,387 | 3.7% |

Source Individual Ports



Source: Individual Ports



Parsing the June 2018 Numbers Continued

Weights and values. The adjacent Exhibits 4-6 use data collected by the U.S. Census Bureau's Foreign Trade Division on the declared weight and value of containerized shipments arriving and departing at U.S. mainland ports in June to determine the trade shares held by USWC ports. Containerized import tonnage through USWC ports in June was up 2.8% over the same month last year, while the dollar value of containerized imports at USWC ports was up 6.6%. On the export side, containerized exports via USWC ports in June were 12.8% higher by weight and 8.3% higher by value.

Exhibits 5 and 6 provide a breakdown by major USWC port region: Los Angeles/Long Beach, Oakland, and the Northwest Seaport Alliance Ports of Seattle and Tacoma. Exhibit 5 looks at USWC ports' shares of worldwide U.S. mainland container trade, while Exhibit 6 spotlights U.S.-East Asian container trade. The June 2018 shares for Los Angeles/Long Beach compare favorably with last year at this time. Oakland's shares were consistent with last year on the inbound trades but were up and down on the export side. At the NWSA, inbound shares slid while outbound increased.

Worldwide Destinations and Origins. Tonnage-wise, although China was the leading destination of USWC containerized exports in June with a 25.2% share, that was a sharp decline from the 33.3% share it held just a year earlier. In next place was Taiwan (12.1%, up from 8.4% a year earlier) followed by Japan (12.0%, down from 14.3%); South Korea (10.4%, unchanged from last June); and Indonesia (6.5%, up from 5.2%).

Despite new and pending tariffs, China continued to overwhelmingly dominate containerized import tonnage entering USWC ports in June with a 57.2% share, up from 56.2% in May and up also from 56.4% in June 2017. Some distance behind were Japan (4.6%, down from 5.2% last June; Vietnam, 4.5%, up from 4.3%; Taiwan (4.1%, unchanged from June 2017); and South Korea (3.6%, down from 4.1%).

NWSA Woes. Things continue to improve at the Northwest Seaport Alliance Ports of Tacoma and Seattle after a year in which container traffic was severely disrupted by the

April 2017 rejigging of steamship alliances. According to the NWSA's own accounting, inbound traffic in June was up 12.7% (+14,713 TEUs) ahead of last June, while outbound shipments gained 9.2% (+7,178 TEUs). According to statistics compiled by the Pacific Maritime Association, inbound trade at Tacoma was up 4.8% (+3,201 TEUs) year-over-year but fully 21.1% (+10,683 TEUs) at Seattle. On the outbound side, Tacoma posted an impressive 11.0% (6,417 TEUs) increase over last June, while outbound traffic at Seattle was essentially unchanged from a year earlier (-16 TEUs). *We hasten to note that PMA counts containers for its own purposes and often reports numbers that are at variance from those compiled by individual ports.*

U.S. foreign trade statistics reveal a similar dichotomy in terms of the declared weight of foreign trade moving through the two ports. Seattle's containerized imports were up 6.8% (+26,580 metric tons) over June 2017, while

Exhibit 4 USWC shares of Mainland U.S. Containerized Imports and Exports by weight and by value

| | Jun 2018 | May 2018 | Jun 2017 |
|---|----------|----------|----------|
| USWC Share of Mainland U.S. Containerized Imports | | | |
| By Weight | 40.1% | 40.9% | 39.8% |
| By Value | 47.9% | 48.3% | 48.4% |
| USWC Share of Mainland U.S. Containerized Exports | | | |
| By Weight | 38.4% | 37.6% | 40.3% |
| By Value | 32.6% | 32.7% | 34.4% |
| USWC Share of Mainland U.S. Containerized Imports from East Asia | | | |
| By Weight | 56.7% | 59.9% | 58.5% |
| By Value | 66.5% | 69.3% | 68.0% |
| USWC Share of Mainland U.S. Containerized Exports to East Asia | | | |
| By Weight | 60.3% | 60.7% | 62.8% |
| By Value | 63.6% | 66.8% | 68.8% |

Source: U.S. Commerce Department.



Parsing the June 2018 Numbers Continued

its containerized export tonnage fell 8.5% (-34,611 metric tons). Tacoma, meanwhile, handled 18.0% more import tonnage than it had a year earlier (+62,485 metric tons) along with 12.4% more export tonnage (61,332 metric tons).

Smaller container port numbers. PMA found that California's Port of Hueneme handled 4,557 inbound loaded TEUs in June, a 16.5% decline from the same month last year. Outbound traffic also fell, down 20.7% (-940 TEUs).

At the Port of San Diego, PMA reports that inbound loaded container trade was up 6.8% (+440 TEUs), while outbound moves were down 3.0% (-8 TEUs). At Everett, Washington, inbound loaded traffic was up 38.8% (+134 TEUs), while outbound loaded trade was off 100% (-187 TEUs) from June 2017.

Exhibit 5 USWC Port Regions' Shares of U.S. Mainland Container Trade, June 2018

| | Jun 2018 | May 2018 | Jun 2017 |
|---|----------|----------|----------|
| Shares of U.S. Mainland Ports Containerized Import Tonnage | | | |
| LA/LB | 29.5% | 30.4% | 29.7% |
| Oakland | 4.1% | 3.8% | 4.1% |
| NWSA | 5.7% | 5.7% | 5.2% |
| Shares of U.S. Mainland Ports Containerized Import Value | | | |
| LA/LB | 37.0% | 38.3% | 37.7% |
| Oakland | 3.6% | 3.3% | 3.6% |
| NWSA | 7.0% | 6.4% | 6.8% |
| Shares of U.S. Mainland Containerized Export Tonnage | | | |
| LA/LB | 23.9% | 23.6% | 24.2% |
| Oakland | 5.5% | 5.8% | 6.0% |
| NWSA | 8.4% | 7.8% | 9.6% |
| Shares of U.S. Mainland Containerized Export Value | | | |
| LA/LB | 22.3% | 22.8% | 24.2% |
| Oakland | 5.7% | 5.6% | 5.3% |
| NWSA | 4.3% | 4.0% | 4.5% |

Source: U.S. Commerce Department.

Exhibit 6 USWC Port Regions' Shares of U.S. Mainland-East Asia Container Trade, June 2018

| | Jun 2018 | May 2018 | Jun 2017 |
|---|----------|----------|----------|
| Shares of U.S. Mainland Ports' East Asian Container Import Tonnage | | | |
| LA/LB | 43.8% | 47.5% | 46.3% |
| Oakland | 4.4% | 4.5% | 4.5% |
| NWSA | 8.2% | 7.9% | 7.5% |
| Shares of U.S. Mainland Ports' East Asian Container Import Value | | | |
| LA/LB | 52.4% | 56.2% | 54.3% |
| Oakland | 4.0% | 3.8% | 4.1% |
| NWSA | 9.8% | 9.1% | 9.6% |
| Shares of U.S. Mainland Ports' East Asian Container Export Tonnage | | | |
| LA/LB | 39.2% | 40.0% | 39.5% |
| Oakland | 7.8% | 8.1% | 8.4% |
| NWSA | 13.2% | 12.5% | 14.8% |
| Shares of U.S. Mainland Ports' East Asian Container Export Value | | | |
| LA/LB | 45.5% | 48.4% | 50.3% |
| Oakland | 9.7% | 10.1% | 9.3% |
| NWSA | 8.3% | 8.3% | 8.6% |

Source: U.S. Commerce Department.



Jock O'Connell's Commentary: Clearing the Air at Oakland

Earlier this summer, the Port of Oakland announced it had a vision for achieving emissions-free cargo operations by mid-century.

That ambitious target is outlined in the port's *Draft Seaport Air Quality 2020 and Beyond Plan*. The plan/vision, which was circulated for public review on June 29th, calls for "reducing criteria pollutants and greenhouse gases at Oakland's seaport – ***technology, feasibility and budget willing.***" [Emphasis helpfully added.]

That italicized caveat is telling. As with the Clean Air Action Plan embraced by the Ports of Los Angeles and Long Beach, Oakland's blueprint for the future is hugely aspirational. In addition to an implicit prayer that the technology needed to move heavy boxes into, around, and out of the East Bay port without emitting a single gasp of PM and nary a SOx or a NOx will eventually (preferably sooner than later) become available, what's similarly missing is a strategy for financing attainment of that goal.

Great proposal; no money. Sound familiar?

With the 2018 mid-term elections less than three months away, the left-of-right people are espousing a range of social bromides such as universal health care, tuition-free college educations, guaranteed minimum incomes, and other nice stuff without much specificity about how these would be financed. Meanwhile, on the we-can't-get-much-further-right folks, having succeeded in exploding the federal fisc this year with massive tax-cuts, are back calling for tariff relief for (hand chosen) businesses victimized by President Trump's tariffs and (cue theme music from John Williams) a brand-new Space Force. And did I mention that long-awaited national infrastructure rehabilitation program. In every case, the not-so-minor issue of financing bold public policy schemes remains pretty much TBA.

Oakland's Plan

In announcing the *Draft Seaport Air Quality 2020 and Beyond Plan*, Port of Oakland officials concede that a zero-emissions seaport will take years and will require substantial investments in transformative

technology, new infrastructure, and equipment. The 30-page document describes how the port would have to profoundly transform how it operates. It proposes everything from electric trucks to new infrastructure to eradicate freight transport emissions. It would attack both diesel particulate matter and greenhouse gas emissions.

The Port said its plan specifies three primary clean-air strategies:

- Continuing with its 2009 Maritime Air Quality Improvement Plan (MAQIP), which called for an 85 percent reduction in diesel emissions by 2020;
- Promoting a pathway to zero-emissions equipment and operations that reflects the state of California's 2030 and 2050 greenhouse gas goals; and
- Building out infrastructure – including electrical systems – to support a future less reliant on diesel-emitting cargo handling equipment and trucks.

The plan also seeks to have all vessels calling at Oakland switch off engines and plug into the landside power grid. (Nearly 80 percent of ships calling Oakland reportedly do that now.)

The Port didn't put a price tag on its plan but admitted implementation would be costly. No obfuscation there. But a press release accompanying the plan added that "public sector funding and investments by businesses serving the port would be essential in moving toward emissions-free operations." Plenty of obfuscation there.

Oakland's draft plan arrives as the State of California is formulating stricter regulations for cargo transport. The state is expected to curtail diesel-powered freight hauling and put tougher restrictions on all sources of emissions over the next few years. California ports, now including Oakland, have developed their own plans in advance of new state mandates.

Meeting its more aggressive clear air objectives would be easier if the port did not also aspire to growing the volume



Commentary *Continued*

of containers it handles. A new \$90 million cold storage distribution center, for example, is intended to attract more cargo requiring secure cold chains. And, in pursuing a longtime objective, the port also aims to increase the volume of rail traffic with markets east of the Sierra.

Paying For the Plan

Although some public funds will be made available, Oakland's hunt for the dollars to finance its cleaner-than-clean air commitment will ultimately involve hitting up the beneficial cargo owners whose goods are hauled across Oakland's docks. (The burden to be borne by BCOs is likely to be even greater if California voters repeal a gasoline tax surcharge now used to support transportation projects throughout the state.)

Billing the beneficiaries may sound fair enough, especially for those who subscribe to the relay-race theory of infrastructure financing in which the BCOs would pass the baton of increased port costs on to their customers who, in turn, would hand off the higher costs to their customers...until the poor schlep running the last lap gets stuck with the entire bill.

Cargo owners do have options, one of which is take their business elsewhere. That is a very real danger at the San Pedro Bay ports and the Northwest Seaport Alliance Ports of Seattle and Tacoma. Because very large shares of the goods they handle are in transit between East Asia and markets throughout the U.S., increased container

fees could accelerate the diversion of containers to rival American gateways East of Panama or Canadian rivals north of the 49th parallel.

Cargo diversion is much less of a risk at Oakland, because its service area is much more focused on serving a regional market, essentially Northern California. While higher container fees might discourage some low-margin shippers from engaging in international trade, they are not apt to cause them to take their business to other ports, especially those similarly afflicted by the dictates of the California Air Resources Board.

So long as higher container fees do not drive business away, ports can reasonably hope to raise additional revenue by increasing the number of containers they handle. Despite seeing their respective shares of the nation's containerized trade slide almost inexorably in recent years, the Port of Los Angeles and Long Beach have recorded higher overall TEU numbers, particularly in years not impacted by labor strife. That's much less the case at Oakland, as **Exhibit 7** shows.

Between 2010 (when ports around the nation began recovering from the Great Recession) and last year, Oakland's total container traffic – loaded as well as empty – increased by 90,380 TEUs (+3.9%). By contrast, the Port of Los Angeles saw its total container trade rise by 1,511,291 TEUs (19.3%), while the Port of Long Beach posted a gain of 1,281,008 TEUs (20.5%).

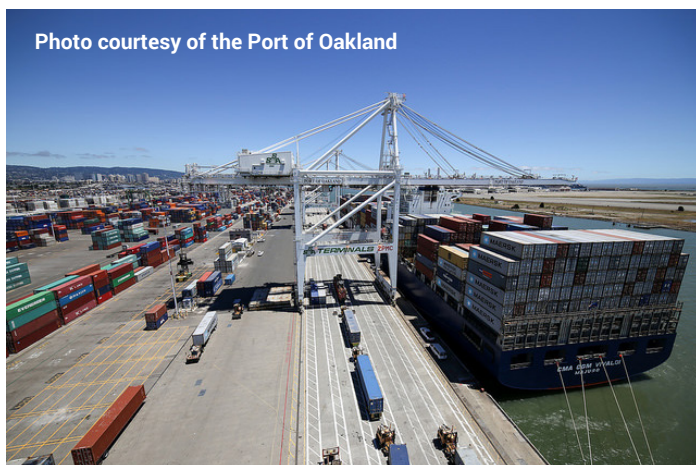
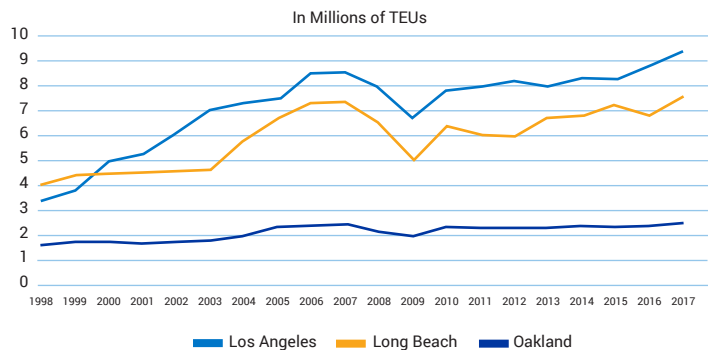


Exhibit 7 Container Traffic at California Ports, 1998-2017

Source: Ports of Los Angeles, Long Beach, Oakland





Commentary Continued

Loaded container traffic at Oakland did climb by 92,113 TEUs (5.2%) from 2010 to 2017, but the comparable figures at Los Angeles and Long Beach were 13.8% and 13.7%, respectively. And, while empty container traffic has absolutely surged at the San Pedro Bay ports (by 35.2% at LA and by 40.6% at Long Beach, the number of empty containers Oakland handled actually shrank between 2010 and 2017 by 1,733 TEUs.

Oakland is certainly hopeful of expanding its container business. That's a major reason for constructing a new cold storage facility to handle higher volumes of frozen meats and fish as well as chilled fruits and vegetables. That should make the port even more attractive to agricultural exporters and may eventually lure more business from food exporters east of the Sierra, but its opening comes at a particularly inopportune moment tariff-war-wise.

Reaching outside Northern California for new business is essential to a port that it is largely out-of-sync with the local economy in the Bay Area. While loaded container volumes through the Port of Oakland grew by 5.2% from 2010 through 2017, the San Francisco Bay Area's economy grew by 38.3% in real (i.e., inflation-adjusted) terms. Even the much larger service area stretching north to Redding, east to Reno, and south to Fresno saw real GDP growth of 24.0% since 2010.

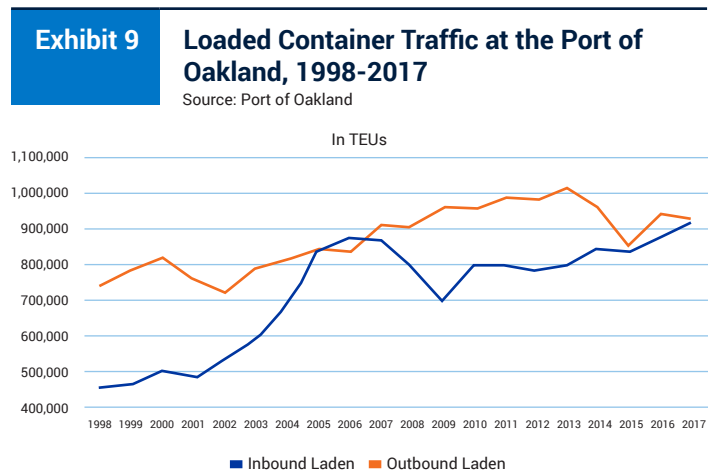
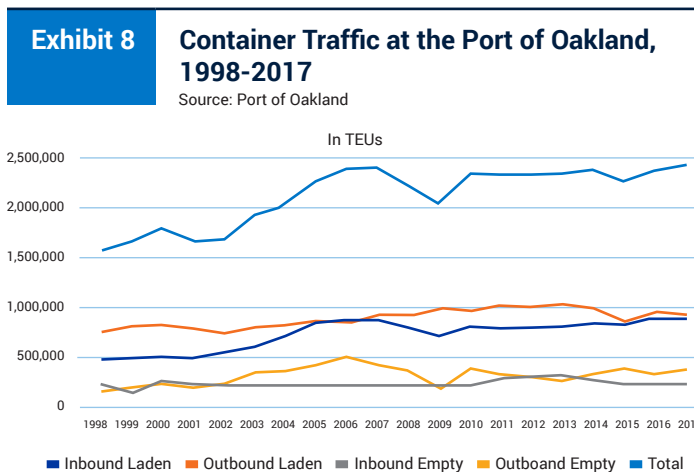
To be sure, the Bay Area economy is heavily tilted toward

services. Furthermore, the tangible manufactured goods that it does trade tend to be advanced technology products with the high value-to-weight ratios that are more suitable for air transport. Not surprisingly, international air freight tonnage at San Francisco International increased by 13.5% from 2010 to 2017.

But, for a port struggling to identify the funding sources that will permit it to embrace a zero-emissions universe, Oakland's relatively modest rate of container growth, depicted in **Exhibit 8**, is likely to heighten the challenge.

Furthermore, what was once the Port of Oakland's chief distinction – that it was the rare U.S. container port that exported more than it imported – appears to have been all but erased in the past couple of years, just as it did in the “bubble economy” years leading up to the Great Recession. See **Exhibit 9**.

Over the longer-term, though, growth in container traffic at Oakland has been comparatively static. As Exhibit 8 reveals, Oakland's annual TEU totals began to approach the 2.5 million TEU mark just prior to the onset of the Great Recession before falling, understandably, through the downturn. Since then, though, the annual totals have been virtually static. From 2011, when most ports around the country began to see their post-recession box counts start to grow again, through last year, Oakland reported a 3.3% increase in total TEUs.





Commentary Continued

Unlike the two big ports in San Pedro Bay which last year handled a third of the nation's \$1.02 trillion in containerized maritime trade, the market Oakland serves is predominantly regional. In 2017, Oakland handled 2.42 million TEUs, up 2.2% from the year before. The contents of those containers were valued at \$41.91 billion, up 2.4% from the year before.

From Oakland's pre-recession peak in 2006 through last

year, total container traffic increased by just 29,092 TEUs, a fairly meager 1.2% gain over more than an admittedly topsy-turvy decade. Absent a hitherto undemonstrated aptitude for growing its container trade at a brisker pace, the Port of Oakland is likely to find achievement of its new clean air goals to be financially...well, unattainable is one word that easily springs to mind.



Photo courtesy of the Port of San Diego

Need for More State Oversight of Pilot Monopolies

By John McLaurin
President, Pacific Merchant Shipping Association

The use of a state-licensed maritime pilot is mandated by state law in most coastal waters. State pilot mandates were created for the safe transit of vessels and the protection of people and the environment.

Pilotage is also a state-sanctioned monopoly. Vessel operators do not have a choice of pilot organizations to do business with, nor, for the most part, can vessels select or hire their own pilot. Most state pilots are assigned to vessels only by the monopoly, can only work when approved by the monopoly, and operate under work rules developed by the pilot monopolies in private, without public input or scrutiny.

Yet, while state-mandated pilot monopolies are said to exist primarily to protect the public, the environment, and the state, as well as vessel operators, whether these state interests are in fact being achieved is often not analyzed

by the state itself. For instance, when and how much each individual pilot actually works is often confidential or unknown, or is not easily determined. Yet the issue of pilot fatigue and hours of service is a safety issue of tremendous importance.

It is also of tremendous concern to a vessel operator, because the monopoly chooses which pilots get assigned to a particular vessel without customer input. Pilotage customers must either trust the state to provide a system which ensures competent, well-trained, and well-rested pilots or trust the pilotage monopoly to self-police itself to ensure these outcomes.

That's why in 2012, on the heels of a large accident and oil spill involving pilot fatigue in Texas, and at the recommendation of the National Transportation Safety Board, PMSA sponsored legislation in California to require the



The Need for More State Oversight Continued

state Board of Pilot Commissioners to conduct a Fatigue Study for San Francisco pilots and to promulgate enforceable hours of service and rest regulations.

This study was only just recently completed in July 2018. The researchers conducted a review of pilot assignment data from July 2016 to June 2017, and they found that pilots worked an average of 128 “work periods” per year – and that the average “work period” was 7.6 hours (this includes a buffer time added to and from jobs to cover commuting). Under these numbers, an average pilot works 972.8 hours per year, or an average of about 18 hours per week.

These numbers are very similar to those in the Puget Sound, where 28 out of 52 weeks in a year, pilots are not on duty. For the 24 weeks that they are on duty, they take approximately 145 assignments per year equating to about 59 piloting hours per month. Even so, the competition and compensation for these jobs continues to increase. In 2017, the Average Net Income for each San Francisco Bar Pilot was \$495,726. In Puget Sound, average earnings after pilot reported “operating expenses” was \$545,385, which is then distributed as benefits and income according to their internal rules.

Unfortunately, while the consultants who conducted the pilot fatigue study for the San Francisco Board of Pilot Commissioners were allowed to review the data regarding pilot workload, that data remains unavailable to the public. The Board of Pilot Commissioners does not have detailed pilot assignment data. Interestingly, the Board has passionately litigated against the public’s right to access and possess the actual individual pilot work-load data, and they specifically included a clause in the Fatigue Study contract to preclude the release of the pilot data to the public by the researchers.

As a result, we have a situation where the State of California, which requires a state license to pilot a commercial vessel in the San Francisco area, allows a monopoly to mandate that a ship owner must take whatever pilot is assigned based on work rules set by the pilots in private, not the state. And, strangely the state seems to have no desire to know how often each pilot works. Whether it is once a day, once a week, once a month, or every day for two weeks straight, the state ignores whether these work patterns have fatigue implications.

The next task ahead is the writing of new rest and hours of service regulations, and one key question will be is whether the San Francisco Pilot Board desires to have a rule which is enforceable by itself with data requirements reviewable by the public. Or, is the Board still not interested in having the data necessary to enforce a pilot rest regulation, preventing vessel operators and the general public from having this information as well.

To be fair, there is always one time that individual pilot workload data is reviewed by a state Board: AFTER a casualty has occurred, like when the Cosco Busan was piloted into the Bay Bridge, spilling 53,500 gallons of fuel oil into the Bay.

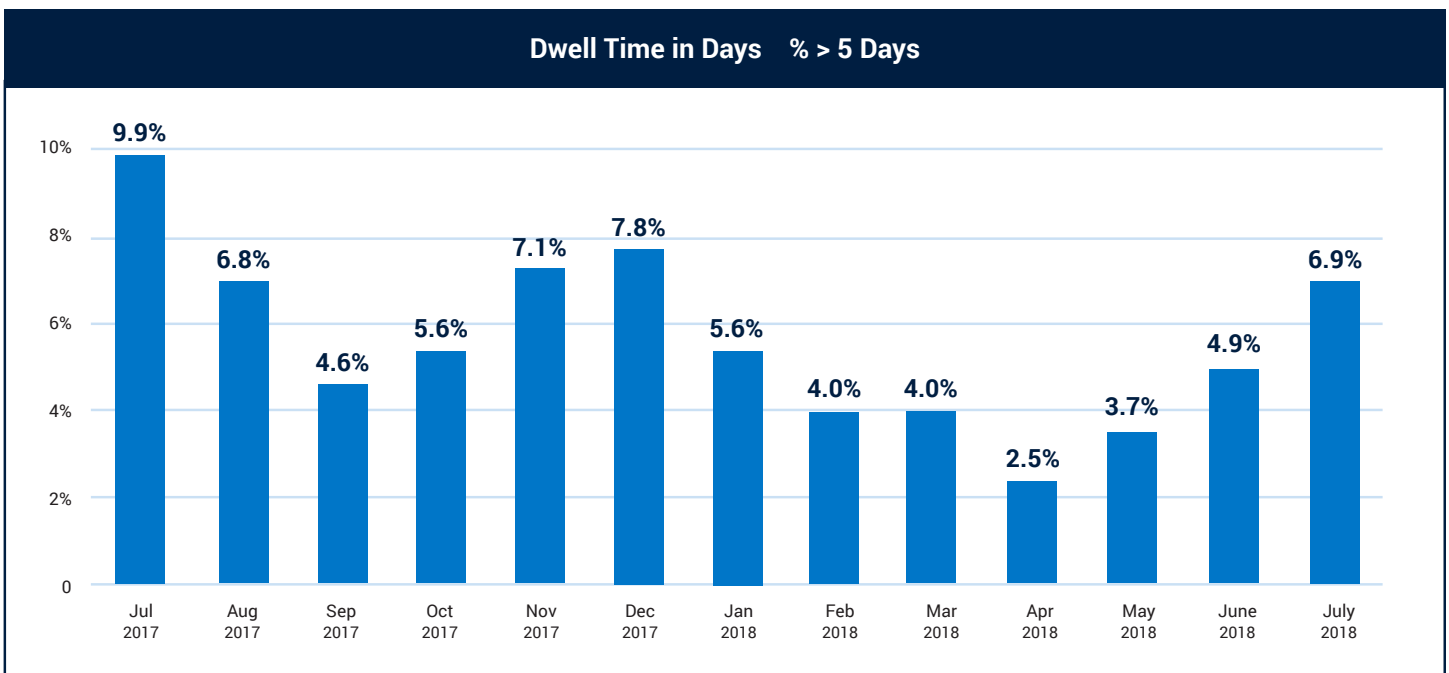
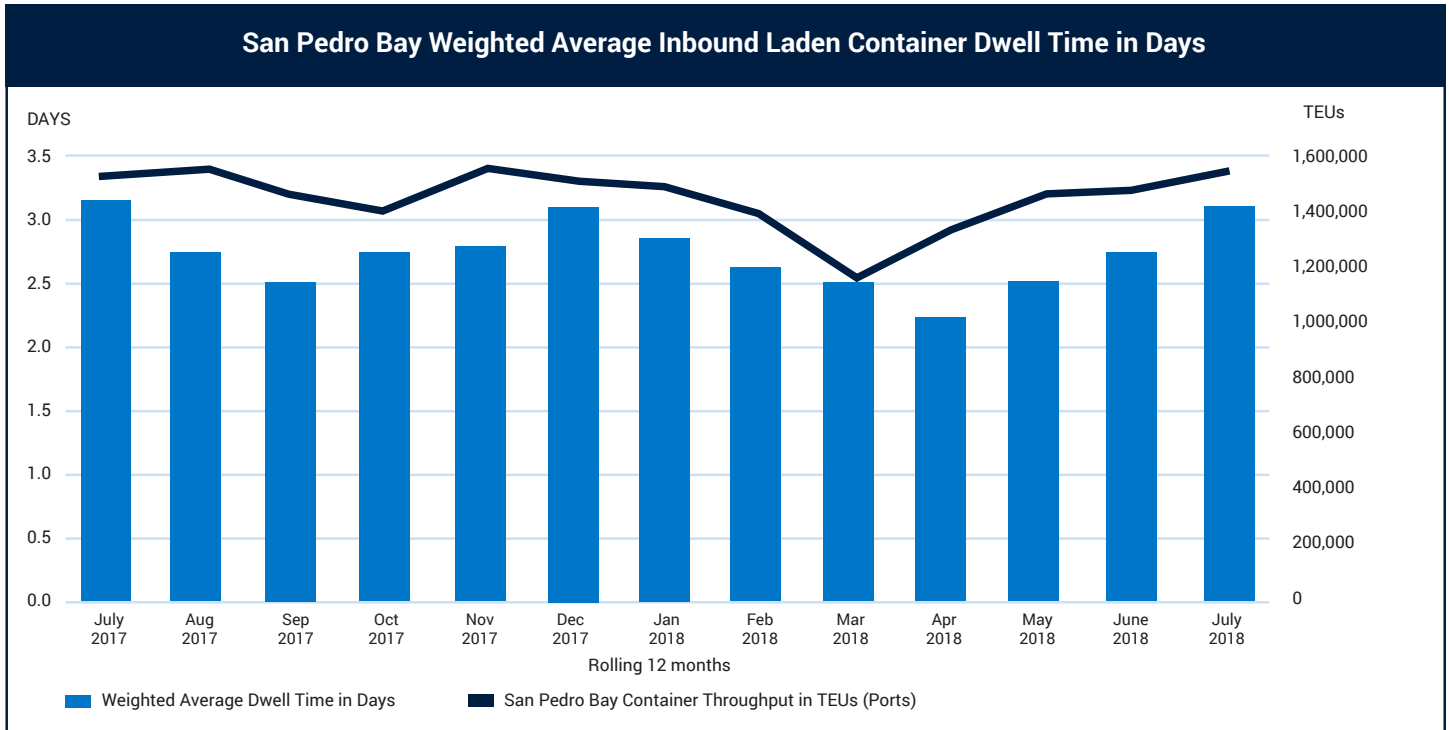
If the reason to maintain these pilotage monopolies is to protect the public by preventing maritime accidents, then the state needs to demonstrate a level of supervision necessary to properly ensure and regulate their activities. If states are not policing pilot monopolies with respect to their actual vessel operations – and are actively prohibiting the public from accessing the data to review these operations – one can only speculate as to which interests the states are working hardest to protect.

Interested in membership in PMSA?

Contact Laura Germany for details at:
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July Dwell Time Numbers Are Up



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