PMSA

West Coast Trade Report

April 2020

First Glimpse at the March Port Tallies

Everyone has been bracing for dreadful March numbers. The Global Port Tracker's outlook of March 9 expected container import traffic to be down 18.3% from March of last year. By its April 7 update, the GPT outlook for March was revised downward to a minus 21.3%.

The numbers we've been seeing so far from the ports we routinely monitor have certainly been dispiriting. Inbound loads at the Port of Los Angeles in March were down 25.9% year-over-year, but the numbers were better (okay, less bad) next door at the Port of Long Beach, where inbound loads were off just 5.0%. Together, the year-over-year drop in inbound loads at the two San Pedro Bay ports – the nation's largest port complex -- was 16.4%. One arresting factoid in the March numbers was that, for the first time since September 2016, Long Beach recorded a higher volume of inbound loads than its generally busier neighbor.

Elsewhere on the West Coast, inbound loads declined by 10.3% at the Port of Oakland, while import loads plunged by 28.2% at the Northwest Seaport Alliance Ports of Tacoma and Seattle. Collectively, the five major U.S. West Coast container ports recorded a 17.7% fall-off in inbound loads from a year earlier.

Perhaps remarkably, things were even worse at the Gulf and East Coast ports that have already posted their March numbers. The Port of Houston handled 19.4% fewer inbound loads than a year earlier, while Charleston sustained an 18.1% slump and Savannah's inbound laden traffic tumbled by 21.1%.

We don't expect to see less ghastly numbers for April. Although manufacturing activity has been ramping back up in China, the pandemic's arrival in the U.S. has crippled America's demand for imported goods. With broad swaths of the economy shut down, non-essential stores closed, and tens of millions of U.S. consumers unemployed, depressed levels of import activity are likely to persist for at least several months. Indeed, Global Port Tracker foresees double-digit declines in every month through August.

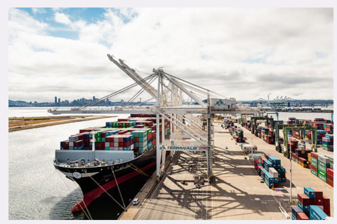
March 2020 Year-over-Year Inbound Loads

↓ 25.9%

Los Angeles

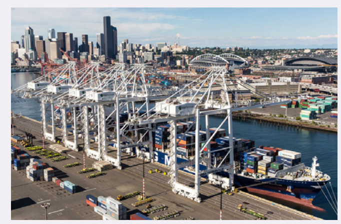
↓ 5.0%

Long Beach



↓ 10.3%

Oakland

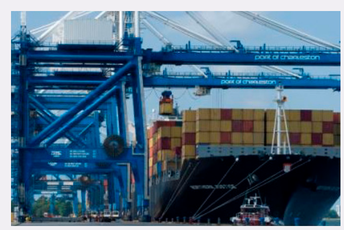


↓ 28.2%

NWSA

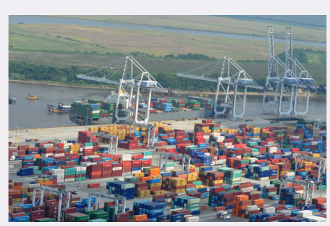
↓ 19.4%

Houston



↓ 18.1%

Charleston



↓ 21.1%

Savannah

Photo Sources: Port of Los Angeles; Port of Long Beach, Port of Oakland; Northwest Seaport Alliance; Carol M. Highsmith - Library of Congress; South Carolina Ports Authority; Kcida10 (talk)

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Parsing the February 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

The extraordinary measures the Chinese government took to contain the spread of the coronavirus epidemic beyond its original epicenter in Wuhan resulted in a sharp contraction in factory output in February and March. Among the results were container trade statistics for the month of February that were occasionally misused to herald the triumph of U.S. East Coast ports over their West Coast rivals. One influential maritime industry publication, for example, ran a story on March 24 headlined "East coast ports outperform west during COVID-19 pandemic". The proof? That container traffic at the Port of Savannah had increased by 17% in February as "it joined South Carolina in succeeding despite the COVID-19, or coronavirus, pandemic, in a growing trend of east coast ports outperforming those on the west."

Well, nonsense.

As in the case of far too many port performance comparisons, the numbers in the article were not handicapped to account for voyage

Exhibit 1 February 2020 - Inbound Loaded TEUs at Selected Ports

	Feb 2020	Feb 2019	% Change	Feb 2020 YTD	Feb 2019 YTD	% Change
Los Angeles	270,025	348,316	-22.5%	684,756	778,239	-12.0%
Long Beach	248,592	302,865	-17.9%	558,553	626,703	-10.9%
San Pedro Bay Totals	**518,617**	**651,181**	-20.4%	**1,243,309**	**1,404,942**	-11.5%
Oakland	63,568	69,977	-9.2%	151,439	151,870	-0.3%
NWSA	91,660	99,669	-8.0%	194,538	228,284	-14.8%
USWC Totals	**673,845**	**820,827**	-17.9%	**1,589,286**	**1,785,096**	-11.0%
Boston	11,622	12,057	-3.6%	25,024	23,785	5.2%
NYNJ	300,445	295,523	1.7%	623,088	622,868	0.0%
Maryland	36,879	42,287	-12.8%	82,173	86,156	-4.6%
Virginia	97,559	105,357	-7.4%	206,443	215,114	-4.0%
South Carolina	88,178	77,667	13.5%	178,843	165,774	7.9%
Georgia	170,007	149,685	13.6%	358,769	359,268	-0.1%
Jaxport	26,075	25,702	1.5%	52,773	56,023	-5.8%
Port Everglades	27,651	27,361	1.1%	54,102	55,091	-1.8%
Miami	37,556	32,125	16.9%	72,781	71,411	1.9%
USEC Totals	**795,972**	**767,764**	3.7%	**1,653,996**	**1,655,490**	-0.1%
New Orleans	9,050	7,393	22.4%	21,854	20,244	8.0%
Houston	89,923	86,953	3.4%	194,970	182,271	7.0%
USGC Totals	**98,973**	**94,346**	4.9%	**216,824**	**202,515**	7.1%
Vancouver	114,201	129,494	-11.8%	257,807	299,864	-14.0%
Prince Rupert	55,753	34,758	60.4%	104,901	89,239	17.6%
BC Totals	**169,954**	**164,252**	3.5%	**362,708**	**389,103**	-6.8%
US/BC Totals	**1,738,744**	**1,847,189**	-5.9%	**3,822,814**	**4,032,204**	-5.2%
US Total	**1,568,790**	**1,682,937**	-6.8%	**3,460,106**	**3,643,101**	-5.0%
USWC/BC	**843,799**	**985,079**	-14.3%	**1,951,994**	**2,174,199**	-10.2%

Source Individual Ports

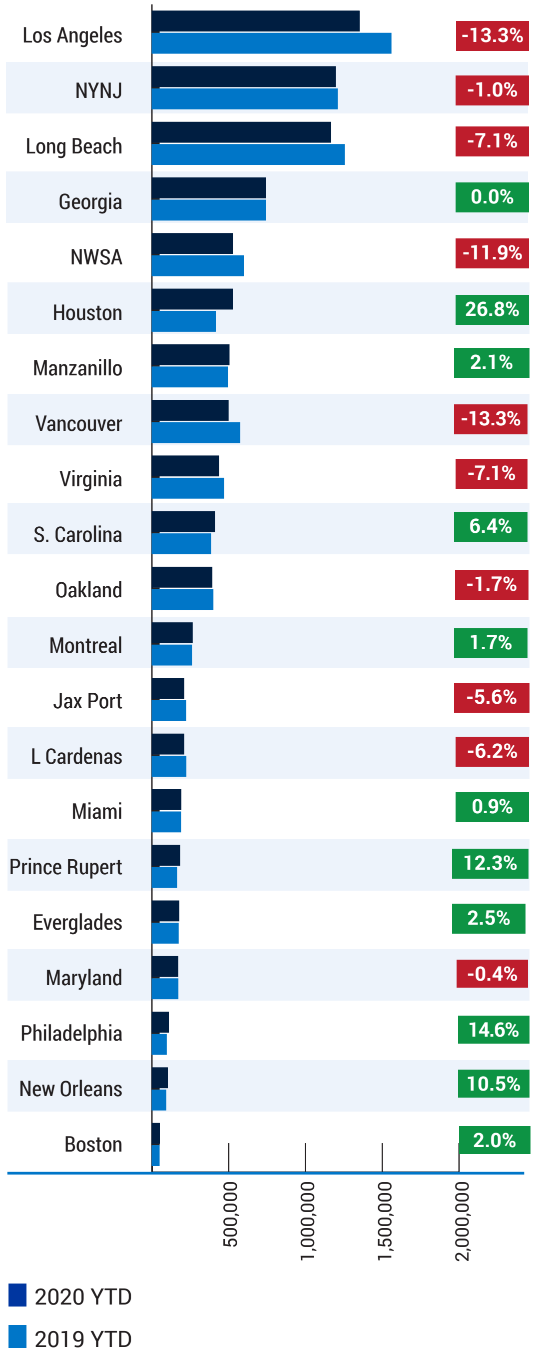
Parsing the February 2020 Loaded TEU Numbers Continued

Exhibit 2 February 2020 - Outbound Loaded TEUs at Selected Ports

	Feb 2020	Feb 2019	% Change	Feb 2020 YTD	Feb 2019 YTD	% Change
Los Angeles	134,469	142,555	-5.7%	282,675	287,548	-1.7%
Long Beach	125,559	105,287	19.3%	234,183	222,574	5.2%
San Pedro Bay Totals	**260,028**	**247,842**	**4.9%**	**516,858**	**510,122**	**1.3%**
Oakland	78,280	67,837	15.4%	156,122	143,187	9.0%
NWSA	68,553	65,610	4.5%	134,964	138,469	-2.5%
USWC Totals	**406,861**	**381,289**	**6.7%**	**807,944**	**791,778**	**2.0%**
Boston	5,767	5,858	-1.6%	12,732	11,581	9.9%
NYNJ	113,801	113,358	0.4%	232,289	225,191	3.2%
Maryland	20,049	18,556	8.0%	40,410	34,503	17.1%
Virginia	80,834	76,642	5.5%	160,162	154,590	3.6%
South Carolina	74,235	62,086	19.6%	142,740	125,835	13.4%
Georgia	125,953	105,260	19.7%	247,913	229,633	8.0%
Jaxport	38,061	38,837	-2.0%	80,002	79,582	0.5%
Port Everglades	34,613	32,664	6.0%	68,096	66,326	2.7%
Miami	34,043	30,627	11.2%	69,367	69,479	-0.2%
USEC Totals	**527,356**	**483,888**	**9.0%**	**1,053,711**	**996,720**	**5.7%**
New Orleans	23,522	18,718	25.7%	49,675	44,593	11.4%
Houston	110,854	86,460	28.2%	229,636	174,421	31.7%
USGC Totals	**134,376**	**105,178**	**27.8%**	**279,311**	**219,014**	**27.5%**
Vancouver	84,918	92,689	-8.4%	163,074	184,267	-11.5%
Prince Rupert	19,380	11,677	66.0%	29,115	28,833	1.0%
British Columbia Totals	**104,298**	**104,366**	**-0.1%**	**192,189**	**213,100**	**-9.8%**
US/Canada Total	**1,172,891**	**1,074,721**	**9.1%**	**2,333,155**	**2,220,612**	**5.1%**
US Total	**1,068,593**	**970,355**	**10.1%**	**2,140,966**	**2,007,512**	**6.6%**
USWC/BC	**511,159**	**485,655**	**5.3%**	**1,000,133**	**1,004,878**	**-0.5%**

Source Individual Ports

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



Source: Individual Ports

Parsing the February 2020 Loaded TEU Numbers Continued

time. Frankly, it's surprising how often, even in normal times, journalists have to be reminded that a ship sailing from Ningbo to Los Angeles by the middle of any given month could be discharging containers in San Pedro Bay by the end of that month, while a ship that left Ningbo the same day bound for Savannah or Charleston would still be at sea. Conversely, in this most abnormal of times, the impact of that cascade of blank sailings from Chinese ports in February would have been felt at West Coast ports long before Savannah and Charleston and other East Coast ports would be reporting that they, too, were seeing fewer vessel calls.

So what do we know about February? Apparently, it was not as bad as some had feared. The National Retail Federation's widely-referenced Global Port Tracker posted its first outlook for February 2020 way back in October. Then, GPT projected inbound loads in February would be down just 1.8% from the same month in 2019. In its subsequent monthly forecast revisions, GPT maintained its expectation that February would see a relatively modest fall-off from a year earlier. That belief persisted until it became apparent that an outbreak of a lethal virus in China would suppress that country's manufacturing capacity and therefore sharply curtail its exports. So, in its February 10 update, GPT estimated that U.S. ports would eventually report significant declines in imports. In its last update on March 9, GPT's forecast looked for a 12.6% drop. That update, of course, was before ports began posting their hard counts of February TEU traffic. In the end, as GPT duly reported in its April 7 update, inbound loads in February had actually fallen by a much less dramatic 6.8% from a year earlier.

As might be expected, the nosedive in inbound loads was more pronounced at the Big Five USWC ports, which collectively handled 146,982 fewer TEUs (-17.9%) than in February 2019. On the other hand, import loads discharged at the nine USEC ports this newsletter monitors were actually up 3.7% (+28,208 TEUs). Along the Gulf Coast, the Ports of Houston and New Orleans posted a combined 4.9% increase in inbound loads in February. Altogether, import loads at the U.S. mainland ports we survey were down 6.8% from the same month a year earlier, while up 3.5% at the two British Columbia ports we track. (Vancouver, hampered by a prolonged interruption in rail service due to pipeline protesters, saw inbound loads decline by 11.8%. While some interference with Canadian National Railway's freight service to Prince Rupert was also reported, it seemingly had little impact as that port's import loads soared by 60.4% over February 2019.)

Not surprisingly, the Big Five USWC ports saw their combined share of inbound loads through the mainland U.S. ports we monitor fall to 43.0% in February from 48.8% a year earlier. Similarly, the Big Five's share of inbound loads via the major USWC and British Columbia ports slipped to 79.9% in February from 83.3% a year earlier.

Export Traffic

On the export side, Long Beach and Los Angeles went in different directions. At the Port of LA, outbound loads fell by 5.7% (-8,086 TEUs), while Long Beach posted a strong 19.3% (+20,272 TEUs) gain over February 2019. Together, outbound loads at the two Southern California ports rose by 4.9% (+12,186 TEUs). Meanwhile, at the Port of Oakland, outbound loads in February jumped by 15.4% (+10,443 TEUs). With the 4.5% increase (+2,942 TEUs) reported at the two NWSA ports, outbound loads through the Big Five USWC ports in February grew by 6.7% (+25,572 TEUs) over the same month a year earlier.

Along the USEC, outbound loads were up 9.0% (43,468 TEUs), while the two Gulf Coast ports we monitor saw outbound loads leap by 27.8% (+29,198 TEUs). In British Columbia, outbound loads at Vancouver and Prince Rupert slipped by a fraction (-68 TEUs) owing to interruptions in rail service to Vancouver.

Altogether, outbound loads from the U.S. mainland and two British Columbia ports we track rose 9.1% (+98,170 TEUs) from last February.

Despite year-over-year growth in outbound loads, the Big Five USWC ports saw their share of outbound loads sailing from the U.S. mainland ports we track slip to 38.1% from 39.3%. On the other hand, rail service problems in British Columbia did enable the Big Five to improve their collective share of outbound loads from U.S. and Canadian Pacific Coast ports to 79.6% from 78.5%.

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

Parsing the February Loaded TEU Numbers Continued

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

	Feb 2020	Jan 2020	Feb 2019
Shares of U.S. Mainland Ports Containerized Import Tonnage			
LA/LB	23.4%	27.7%	27.5%
Oakland	3.8%	4.3%	3.6%
NWSA	4.5%	5.2%	5.4%
Shares of U.S. Mainland Ports Containerized Import Value			
LA/LB	30.5%	35.5%	35.7%
Oakland	3.4%	3.7%	3.5%
NWSA	6.2%	5.8%	6.9%
Shares of U.S. Mainland Containerized Export Tonnage			
LA/LB	19.6%	21.2%	21.9%
Oakland	6.6%	6.3%	6.7%
NWSA	7.4%	7.1%	8.2%
Shares of U.S. Mainland Conatainerized Export Value			
LA/LB	19.8%	20.1%	21.4%
Oakland	7.9%	7.4%	6.7%
NWSA	4.2%	4.3%	4.1%

Source: U.S. Commerce Department.

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

	Feb 2020	Jan 2020	Feb 2019
Shares of U.S. Mainland Ports' East Asian Container Import Tonnage			
LA/LB	38.4%	44.0%	43.3%
Oakland	4.7%	5.1%	4.3%
NWSA	7.1%	6.7%	8.3%
Shares of U.S. Mainland Ports' East Asian Container Import Value			
LA/LB	45.9%	51.4%	51.3%
Oakland	4.3%	4.4%	4.3%
NWSA	9.3%	8.2%	9.9%
Shares of U.S. Mainland Ports' East Asian Container Export Tonnage			
LA/LB	34.0%	34.9%	36.6%
Oakland	10.1%	9.0%	9.4%
NWSA	12.7%	11.1%	13.5%
Shares of U.S. Mainland Ports' East Asian Container Export Value			
LA/LB	39.8%	39.0%	44.0%
Oakland	13.6%	11.8%	11.5%
NWSA	8.5%	8.5%	8.5%

Source: U.S. Commerce Department.

trends in the container trade along the USWC. For the most part, these numbers contain little good news for USWC port officials.

Exhibit 4: USWC Ports and the Worldwide Container Trade. Exhibit 4 illustrates the almost relentless decline in the overall USWC share of containerized imports (regardless of point of origin) entering mainland U.S ports. The two San Pedro Bay ports saw their combined percentage of containerized import tonnage tumble in February to 23.4% from 27.5% a year earlier. The two also experienced a sharp drop in the declared value of containerized imports to 30.5% from 35.7%. Although the Port of Oakland saw its share of import tonnage rise over February 2019, its value share slipped slightly. Meanwhile, the two NWSA ports saw significant declines in their shares of both tonnage and value of containerized imports.

On the export side, the Southern California ports continued to lose market share, whether measured in tonnage or dollar value. Oakland had mixed results, with a year-over-year gain in export value but a drop in its share of the export tonnage. The NWSA ports' export shares trended downward in tonnage terms but edged up slightly in terms of value.

Exhibit 5: USWC Ports and the East Asia Trade. The numbers that most cause anxiety for USWC port officials -- the figures on containerized imports arriving at U.S. mainland ports from East Asia – were of comfort only to the Port of Oakland. In February, the Ports of Los Angeles and Long Beach saw their combined share of containerized import tonnage from East Asia slide to 38.4% from 43.3% a year earlier. Meanwhile, their collective share of containerized import value slid to

Parsing the February Loaded TEU Numbers Continued

45.9% from 51.3%. Elsewhere along the coast, Oakland improved its tonnage share and stayed even in terms of value. But the NWSA ports saw declines in both measures.

On the outbound side, the San Pedro Bay ports' share of containerized export tonnage to East Asia slipped to 34.0% from 36.6% a year earlier, while their combined share of the value of those containerized imports slipped to 39.8% from 44.0%. Oakland experienced a year-over-year bump in both its import tonnage and value tonnage shares. Meanwhile, the NWSA ports saw a drop in their share of export tonnage but held even their share of the value of U.S. containerized exports going to the Far East.

Soybeans

Prior to the outbreak of the COVID-19 pandemic, soybeans were much in the news. Certainly to growers in the Upper Midwest and to ports in the Pacific Northwest, the trade deal with China promised to provide a major boost in business. So what do the latest trade figures indicate? Actually, the latest numbers reveal little, if China's sincerity about increasing purchases of American agricultural products is what you're looking to test. (See the aforementioned plague.) However, they do tell us something about the key role USWC ports play in that trade. In the first two months of this year, U.S. soybean exports to China totaled 2,612,076 metric tons. That was down by 24.7% from the same period last year. But just over half (53.9%) of those soybeans were shipped from ports in the Pacific Northwest, with Kalama leading the way with 664,804 metric tons. Nationally, only the Port of New Orleans shipped more soybeans to China in the year's first two months.

Who's #1?

Since last spring, we have been watching closely as the Port of New York/New Jersey threatened to topple the Port of Long Beach from the latter's customary perch as the nation's second busiest container port. However, February brought an interesting development. Due primarily to the virus-caused distortion of shipping schedules, PNYNJ not only eclipsed Long Beach as the nation's second busiest container port, it also leap-frogged into first place over the Port of Los Angeles.

For the month, a total of 579,124 loaded and empty TEUs crossed PNYNJ's docks as opposed to the 538,428 TEUs handled by the Port of Long Beach and the 544,037 TEUs at LA.

Even if you insist that only loaded boxes count in ranking the ports, PNYNJ was still the country's busiest container port in February, with 414,246 loaded TEUs as opposed to 404,494 loaded TEUs at Los Angeles and 374,151 loaded TEUs at Long Beach.

Jock O'Connell's Commentary:

Port Budgeting: On a Wing and a Prayer

It is difficult these days to find news that does not in some way involve the COVID-19 pandemic. Even newspaper food columns seem largely devoted to simple recipes for families sheltering in place. Fashion columns are all about working-at-home attire. And sports reporters may just as well file for unemployment…although some of us think it would be interesting to watch them pinch hit for the White House press corps.

So you can imagine how thrilled I was the weekend before last to find in the *Wall Street Journal* a lengthy review of a new biography of the eminent American philosopher, Lawrence Peter Berra, better known as Yogi.

One of the more cogent entries in the Berra canon is his sage observation that "you can observe a lot by just watching."

Well, something I observed a lot of last month while hopscotching my way back from an abbreviated trip to Majorca was the great abundance of aircraft parked at the airports serving Palma, Barcelona, Amsterdam, and San Francisco. With cowling-clad engines, these planes clearly weren't going anywhere soon. Government-ordered restrictions on personal movement had collapsed the demand for air transportation. Cavernous airports had become echo chambers. By the end of March, the number

Commentary Continued

of passengers screened at TSA checkpoints at airports throughout the United States was down by more than 90%.

Great, you say, but why bring this up in the monthly newsletter of the Pacific Merchant Shipping Association? Aren't there more pressing maritime issues to discuss? Like, what's going to happen to all those orphaned containers full of goods no one seems to want anymore? Or will a major shipping line go the way of Hanjin? Or what's the future of globalization?

Granted that these are all compelling topics of conversation, but the point I wish to make here is that many of America's largest ports – including some of the West Coast -- are actually airports masquerading as seaports.

More specifically, it's the revenue generated by aviation operations that often provides most of the financing for port authorities from Boston to Seattle. And since the collapse of air travel has been much steeper than the fall-offs in maritime trade volumes, the governing bodies of a number of ports across the country are seeing their revenue flows slowing to a trickle, a situation that is unlikely to be quickly alleviated.

In New England, the Massachusetts Port Authority (Massport) runs one of the smaller of the top container ports in the nation. In FY 2019, its Conley Terminal handled 307,000 TEUs and produced $102,774,000 in operating revenue. But Logan International Airport is Massport's core. In FY 2019, 41,863,411 passengers flew through Logan, which generated $756,415,000 in operating revenue for the port authority. Even if travel restrictions are lifted by summer, it is doubtful passenger levels will return to pre-plague levels within the next year or two.

The country's largest example of a port authority that is more in the aviation business than in the business of loading and unloading ships is, of course, the Port Authority of New York-New Jersey. PANYNJ, which will celebrate its centenary next April, is really a regional transportation agency that manages the Port of New York and New Jersey, but also four airports (JFK, LaGuardia, Newark Liberty International, Stewart International, and Teterboro Airport) as well as sundry bridges, tunnels and rail services – responsibilities so sprawling that PANYNJ has its own police force numbering over 2,000 officers. PANYNJ's 2020 budget projects total revenue of $5.79 billion, with just over half ($2.96 billion) stemming from its aviation activities. PANYNJ's maritime operations actually yield less revenue ($335,013,000) than does its management of the World Trade Center ($353,286,000).

Out here on the West Coast, while our two largest seaports – the Ports of Los Angeles and Long Beach – are not formally in the aviation business, the picture is much different elsewhere.

The Port of Seattle. In 2015, the Port of Seattle partnered with the Port of Tacoma to create the Northwest Seaport Alliance. Together, they are the nation's fifth largest gateway for containerized trade with the rest of the world. Last year, the NWSA ports handled 3,775,303 TEUs. The alliance of the two ports did not, however, affect the governance status of the Seattle-Tacoma International Airport, which remained under the administrative auspices of the Port of Seattle.

Seattle-Tacoma International Airport (SEA) is ranked 8th among U. S. airports in terms of passenger traffic and 21st in terms of air cargo tonnage. Prior to the Great Lockdown, SEA was home to 31 airlines serving domestic and international destinations.

In its 2020 budget, the Port of Seattle's Aviation Division was expected to produce operating revenues of $684.5 million, a $59.4 million or 9.5% increase from its 2019 budget. By contrast, the Port of Seattle's current budget assumed the Maritime Division would generate operating revenues of $62.9 million. Those numbers are no longer viable, but the drop in aviation-related revenue through the remainder of the year should be particularly precipitous.

The **Port of Portland** (Oregon) is not just four marine terminals on the Columbia River; it's PDX, Portland International Airport. With total passenger traffic last year of 19.9 million, PDX ranks as the nation's 30th busiest airport. The Port of Portland's 2019-2020 Adopted Budget shows total operating revenues of $338,049,965, of which PDX accounted for $270,826,379 or 80.1%.

Port of Oakland. Through the end of its last fiscal year on June 30, 2019, operating revenue at the Port of Oakland totaled $396,997,000. Of that, Oakland International Airport (OAK) generated $208,022,000 or 52.4% of the total. Passenger traffic had increased to 13.6 million from 13.4 million in fiscal year 2018. Meanwhile, the Port's

Commentary Continued

Maritime Division produced $170,976,000 or 43.1% of the Port's total operating revenues in FY2019. Maritime's operating revenues had increased by 7.2% from the prior year. The third element of the Port's revenue stream, its Commercial Real Estate Division, yielded $17,999,000 or 4.5% of the Port's total operating revenues in FY2019.

Even before the virtual collapse of domestic air travel this spring, Oakland had seen an important loss of air service when Norwegian Air Shuttle transferred its long-haul European flights to San Francisco International. That hurt. As the Port's Director of Aviation told the *San Francisco Chronicle* last July: "Over one million travelers have flown in or out of OAK on Norwegian." Earlier this year, JetBlue also announced it would be ending its service to OAK. Still, the suspension of most air traffic will leave a gaping hole in the Port of Oakland's financing for what is likely to be an extended period of time.

A formal decision to re-open the economy by suspending current restrictions on personal movement will not in itself bring passenger loads back to pre-pandemic levels. That will take time and will be influenced by a variety of factors, mostly economic but also psychological. Namely, how eager will travelers be to sit among strangers in the confined space of an airplane so soon after a deadly virus has swept across the globe? Certainly, the prospects for filling the massive loss of revenue from depressed aviation operations are not especially encouraging.

The state's other major seaports are stand-alone operations. Although both are departments of the City of Los Angeles, the **Port of Los Angeles** is independent of Los Angeles World Airports, which owns and operates LAX and Van Nuys airports. Similarly, the **Port of Long Beach** and Long Beach Airport are separate departments of the City of Long Beach. It's the respective city governments that will have to deal with the sudden drop in revenue.

The **Port of San Diego**, established in 1962 by state legislation, does not run San Diego's Lindbergh Field, although it does provide a police presence at the airport. But the Port of San Diego, like the **Port of San Francisco** to the north, is existentially vulnerable to any loss of revenue from travel, tourism, and conventions. San Diego's FY2020 budget expects total operating revenue to be $192,780,500. Of that, its maritime operations were expected to generate just $40,175,700 (20.8%).

From Seattle and Tacoma down to San Diego, ports including San Francisco, Los Angeles, and Long Beach have all invested heavily in cruise ship operations, convention centers, and hotels. Travel restrictions have carved a deep slice from the revenues derived from those investments. Longer term, though, there are few assurances that businesses associated with tourism and conventions will bounce back to former levels. Especially with unemployment rates expected to be persistently high through the next few quarters, it is unlikely that pre-plague consumer and business spending practices will resume within the next few quarters.

So, as grim as projected container trade and other cargo statistics may look, West Coast ports are going to be facing severe financial crises, all because of metrics to which the market-share obsessed maritime industry hasn't given sufficient thought.

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

$14 Million Dollar Rate Increase Proposed by Puget Sound Pilots

The schedule for consideration of a $14 million rate increase proposal by the Puget Sound Pilots has been delayed due to COVID-19 concerns and the Washington state "stay at home" order. Assuming no further delays due to the impacts of the pandemic, a rate hearing is expected in August. This is the first petition for a rate change being considered under the jurisdiction of the Washington Utilities and Transportation Commission, which assumed pilotage tariff-setting authority in 2018. PMSA is opposed to this proposal and has intervened as a party in the proceeding representing the interests of its membership.

Observations of a New World

By John McLaurin, President, Pacific Merchant Shipping Association

Over two million people in the world have been diagnosed with the COVID-19 virus and tens of thousands have died from the disease. These numbers are undoubtedly low given the current lack of testing capability. Although we do not know the extent of the problem, we do know that our world has changed dramatically. Until treatments and vaccines are developed, the virus will continue to impact our lives for years.

Prior to the pandemic, the public expected that goods would magically appear on store shelves. Now that expectation has been replaced with different feelings, such as hope and at times disappointment.

But during these challenging times, the supply chain has reacted well and been fairly strong – grocery stores and pharmacies are receiving the necessities of life and making those products available to the public.

That isn't to say that the movement of goods has been without hiccups. There have been plenty of challenges that range from finding hotel space for long distance truck drivers and rail crews, to sanitizing counters at your local grocery store or cargo handling equipment at a marine terminal – all in a world of limited disinfectants and personal protective equipment. While we eat in the comfort of our homes, restaurant closures are a genuine problem for those far away from home, moving goods at all hours of the day and night. And social distancing requires that work teams be divided, isolated and work in separate spaces, buildings and perhaps on separate days.

But the supply chain is adapting on a shift by shift basis. Challenges arise, solutions are put forward, adaptation takes place and the consumer knows little of what has happened behind the scenes. We continue to work as a team – only this time it is done separately and remotely.

Just as the COVID-19 virus is growing and spreading, the world of logistics is changing and evolving at an exponential rate. We have to. There are no other options.

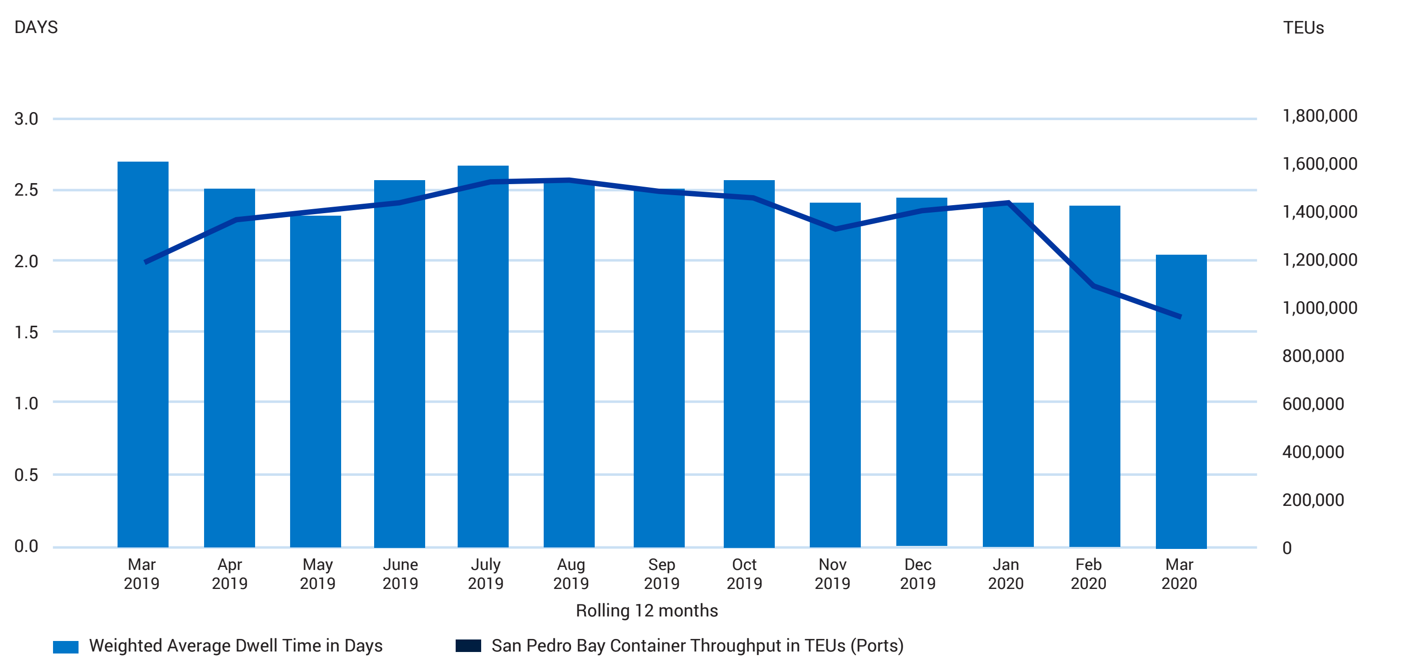
What will be interesting to see is if our political system will change and adapt as quickly as the supply chain. Some of our public officials have displayed leadership and compassion. Others have not. Some have recognized the new world order while others are oblivious to the changing world and economic hardship surrounding them.

When so much is at stake, leadership is displayed in many ways – there are heroes and people who display extraordinary dedication to their job. We certainly appreciate and pray for all those heroes – the medical professionals, first responders, research scientists, clergy and others who are working to protect, comfort, cure and bring peace to those impacted by this deadly virus. But there are other people with similar dedication. They aren't as well known or appreciated by the general public. They work on a dock, drive a truck, unload a plane, navigate a ship, manage a marine terminal, operate a train, deliver food or our prescriptions to our mail box or front door and restock the food in our stores at the risk of infection. Some are paid minimum wage, all to allow the consumer the opportunity to buy food and everyday products that families need.

The next time you are in a grocery store or pharmacy, see a ship along the coast, receive a delivery at home, give a silent thank you to the women and men who make your life easier.

Dwell Time Declined for March

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



Dwell Time in Days % > 5 Days