



March 30, 2023

David Danner
Chair
Washington Utilities & Transportation Commission
PO Box 47250
Olympia, WA 98504
Delivered via comments@utc.wa.gov

Re: Oppose Puget Sound Pilots General Rate Increase (Docket TP-220513)

Dear Mr. Danner:

On behalf Cruise Lines International Association (CLIA) and our member cruise lines, we are writing to share our opposition to the Puget Sound Pilots’ (PSP) June 29, 2022, application filed with the Washington Utilities and Transportation Commission (UTC) requesting an increase in pilotage rates. The Port of Seattle and the Puget Sound area play a critical role in the Pacific Northwest, Canada, and Alaska cruise trade, with the Port of Seattle serving as the gateway for many Alaska cruises, as well as west coast and Hawaii itineraries. In Washington State alone, cruise generates \$1.08 billion in direct spending, supporting 22,750 jobs and \$1.35B wages, including PSP employees.

While CLIA and our member cruise lines certainly appreciate and respect the vital role that port pilots play in facilitating a safe and secure cruise passage, the PSP’s filing reflects a substantial and onerous increase in pilotage rates for cruise lines in the Puget Sound. Accordingly, CLIA submits the following comments for the UTC’s consideration, which address the proposed increases in pilotage rates in the Puget Sound, assertions regarding the profitability of oceangoing vessels during the pandemic, and the demonstrated safety of foreign-flagged vessels in the Puget Sound.

Proposed Increases to Pilotage Rates in the Puget Sound Are Excessive

The PSP proposes to increase pilotage rates in the Puget Sound by an average of 35.6 percent. However, it appears the actual rate of increase for some cruise ships may be even higher. CLIA reviewed costs for cruise ships in the Puget Sound under the current pilotage rates and estimated what the costs would be for vessels under the PSP’s proposed rate increase, which is outlined in the February 28, 2023, Notice of Public Comment Hearing (220513-PSP-Public Notice-2-28-23.pdf). As noted in table 1 below, a cruise ship with a gross tonnage (GRT) of 169,000 could see a 48.44 percent rise in costs for a roundtrip in and out of the Puget Sound. Similarly, as noted in table 2 below, a cruise ship with a GRT of 145,000 could see a 48.35 percent rise in costs for a roundtrip in and out of the Puget Sound. These would be significant increases in costs for CLIA member cruise lines in one year.

Table 1: Estimate for Cruise Ship at 169,000 GRT

	GRT 169,000	2022 Rate		Proposed Rate Increases	
Tonnage Flat	Up to 2,000			846.00	846.00
Tonnage Flat	20,000	1,428.00	1,428.00	1,605.07	1,605.07
	30,000	0.0664	1,992.00	0.0746	2,238.00
	50,000	0.0614	3,070.00	0.069	3,450.00

Over 100k	69,000	0.564	3,891.60	0.0634	4,374.60
Total Tonnage			10,381.60		12,513.67
Time	5 hours	247.75	1,238.75	270.05	1,350.25
Transport*			168.20	195.36	195.36
Pilot Boat*			348.00	471.89	471.89
Training*		19.00 x 5	95.00	25.76 x 5	128.82
Self Insurance*			16.00	21.70	21.70
Pension		N/A	N/A	0.0207	3,498.30
Charge per assignment			12,247.55		18,179.98
Charge for in and out			24,495.10		36,359.97
				% increase	48.44

*These items are on 2022 invoices but not included in the list of proposed changes (220513-PSP-Public Notice-2-28-23.pdf). For estimation purposes, CLIA applied a 35.6 percent increase to these items.

Table 2: Estimate for Cruise Ship at 145,000 GRT

	GRT 145,000	2022 Rate		Proposed Rate Increases	
Tonnage Flat	Up to 2,000			846.00	846.00
Tonnage Flat	20,000	1,428.00	1,428.00	1,605.07	1,605.07
	30,000	0.0664	1,992.00	0.0746	2,238.00
	50,000	0.0614	3,070.00	0.069	3,450.00
Over 100k	45,000	0.564	2,538.00	0.0634	2,853.00
Total Tonnage			9,028.00		10,992.07
Time	5 hours	247.75	1,238.75	270.05	1,350.25
Transport*			168.20	195.36	195.36
Pilot Boat*			348.00	471.89	471.89
Training*		19.00 x 5	95.00	25.76 x 5	128.82
Self Insurance*			16.00	21.70	21.70
Pension		N/A	N/A	0.0207	3,001.50
Charge per assignment			10,893.95		16,161.58
Charge for in and out			21,787.90		32,323.17
				% increase	48.35

*These items are on 2022 invoices but not included in the list of proposed changes (220513-PSP-Public Notice-2-28-23.pdf). For estimation purposes, CLIA applied a 35.6 percent increase to these items.

Profitability of Oceangoing Vessels During the Pandemic

Cruise lines faced the most significant operational challenge in their history during the pandemic and are still working hard to regain their footing and recover from significant financial hardship. In testimony provided on June 29, 2022, by Charles Costanzo, PSP Executive Director (CPC-01T, page 38), he asserts that, “During the COVID-19 pandemic, carriers raised prices by as much as 1,000% and enjoyed record profits even as shipping customers and consumers experienced unprecedented delays and failing service.” This testimony on profitability is focused on only one component of the PSP’s customer base and supports a narrative that is untrue and inconsistent with the cruise industry. CLIA has specific concerns with this and related testimony (Exhibit KAE-01T, page 20), which also references

the profitability of container and bulk carriers but is conspicuous in the absence of a mention of the economic impacts of the pandemic on cruise lines.

Any suggestion that cruise lines experienced profitability and demand for oceangoing vessel services during the pandemic is inaccurate. From March 2020 to June 2021, CLIA member cruise lines were not permitted to operate passenger sailings from U.S. ports, including the Port of Seattle. Passenger volume fell 81 percent in 2020 from over 14 million U.S. source passengers in 2019 down to 2.7 million. All volume occurring in Q1-2020 was prior to the suspension of cruise operations in March 2020.

The cruise industry resumed operations from U.S. ports in June 2021. However, with the complexities of navigating COVID-19 health and safety protocols and the presence of the U.S. Centers for Disease Control and Prevention's No Sail Order for much of the year, passenger volumes approximated 2020 levels with only 2.2 million source passengers from the United States in 2021. Given the continued lack of activity in U.S. waters for the first half of 2021, 326,000 jobs supported by the cruise industry were lost during the 15-month suspension of U.S. operations, bringing the total jobs number down to 110,000, a decrease of 75 percent.

Foreign-Flagged Vessel Safety in the Puget Sound

CLIA disagrees with assertions made by Mr. Costanzo in his June 29, 2022 (CPC-01T) and March 3, 2023 (CPC-21T) testimonies regarding the practices of foreign-flagged ship owners and suggestions that they pose significant risks to the Puget Sound. Representing 95 percent of the world's oceangoing cruise capacity, CLIA member cruise lines set a high bar for themselves, and they attest to follow policies and practices related to shipboard safety, security, environmental stewardship, and more, which often exceed requirements of international and regional law. CLIA's cruise line members are dedicated to protecting public health, employing robust cleaning practices, public health protocols, and screening procedures.

Cruise operations are tightly regulated with rigorous enforcement by authorities, with the U.S. Coast Guard as the primary federal regulator and enforcement authority for ships operating from U.S. ports. U.S. maritime laws and regulations have established comprehensive standards for safety, security, crewmember protections, health, and environmental performance. Cruise ships, regardless of their nation of registry, must comply with these regulations in order to operate in the United States. All cruise ships in international service must also meet or exceed the safety and environmental regulations established by the International Maritime Organization. Compliance is verified by the U.S. Coast Guard, which also closely tracks the performance of registries and the vessel classification societies that typically perform compliance surveys on behalf of governments.

Performance histories are made public through an annual U.S. Coast Guard report, *Port State Control in the United States*, and factor heavily in the U.S. Coast Guard's enforcement posture. Cruise ships have typically performed well under this system. Besides the U.S. Coast Guard in the United States, agencies such as the U.S. Centers for Disease Control and Prevention and the Environmental Protection Agency have full authority to regulate and enforce compliance for ships entering or departing U.S. ports. These facts challenge the suggestion by Mr. Costanzo that, "a very significant percentage of the international shipping industry can be fairly characterized as fundamentally unscrupulous and exhibiting a serious disregard for human safety and environmental protection" (CPC-01T, page 50), which is not true.

In some instances, local measures are more stringent than those put in place on an international or national level. For example, in the Puget Sound, CLIA member cruise lines have a long history of coordination and partnership with authorities for the implementation of more stringent requirements, beyond regulation, for ocean protection and air emissions reduction.

Furthermore, CLIA member cruise lines are leaders in responsible tourism and committed to being outstanding stewards of the communities they visit. CLIA member cruise lines are leading the way toward a more sustainable future, investing in innovative technologies aboard their global fleet of cruise ships with the goal of reaching net-zero carbon cruising by 2050. While cruise ships represent less than 1 percent of the global maritime fleet, cruise lines are at the forefront in developing responsible environmental practices and innovative technologies that lead in environmental stewardship from which the entire maritime sector benefits.

CLIA also recognizes comments raised in testimony by Puget Sound Pilot Captain Sandy Bendixen regarding larger vessels and potential risks with ladder safety (SB-09T, page 4). It should be noted that given the design of cruise ships, they typically have some of the lowest pilot ladder freeboards among maritime vessels. As such, there is not a correlation between the size of cruise ships and increased ladder risks.

Additionally, CLIA has concerns with Mr. Costanzo's testimony where he alleges that the shipping industry participates in an "evasion of corporate responsibility" through the "tactic" of "flags of convenience" (CPC-01T, page 40). As outlined above, flag state performance is tracked closely by the U.S. Coast Guard. Poor performing flag states are targeted for more frequent and enhanced compliance examinations. Cruise lines have a strong incentive to flag with countries possessing strong performance records because this reduces the likelihood of delay in port caused by additional required inspections. The same is true for vessel classification societies, which serve as recognized organizations authorized to conduct inspections and surveys on behalf of flag states. Cruise lines prefer to use societies with strong reputations to conduct the required surveys. Typically, these are members of the International Association of Classification Societies, which maintains high standards for its members.

As an example, the Bahamas is a significant flag state for cruise ships. Far from being a "flag of convenience," it has a low detention rate in the U.S. Coast Guard's most recent Annual Report of *Port State Control in the United States*, 2021 (published in Spring 2022). Detention rates below 1 percent on a three-year rolling average do not trigger additional U.S. Coast Guard visits beyond the regulatory requirements. The Bahamas' detention rate was 0.6 percent. Additionally, the Bahamas was listed in a limited group of flag states eligible for the U.S. Coast Guard's "QUALSHIP 21" status: Quality Shipping for the 21st Century – which recognizes commitment to safety, security, and environmental performance.

In summary, we greatly appreciate the UTC's consideration of CLIA's comments regarding Docket TP-220513 and your efforts to evaluate the impacts of the PSP's pilotage rate increase proposal on the cruise and the broader maritime community. Again, CLIA and our member cruise lines appreciate and respect the vital role that port pilots play in facilitating a safe and secure cruise passage. However, the PSP's proposed rates would result in a substantial increase in costs for cruise lines. This is particularly challenging as these companies are working to return to long-term financial sustainability following the 15-month complete shutdown of the cruise industry in the United States during the COVID-19 pandemic.

If you have any questions or need additional information, please contact me at bbeall@cruising.org.

Sincerely,

A handwritten signature in black ink that reads "Brian Beall".

Brian Beall
Vice President for Government Affairs