



November 4, 2016

Ms. Sheri Jeanne Tonn, Chairperson
State of Washington Board of Pilotage Commissioners
2901 Third Avenue, Suite 500
Seattle, WA 98121

Re: Port Competitiveness and the 2017 Puget Sound Tariff

Dear Chairperson Tonn:

I am writing to thank you for your service to our region, to request there be no increase to the tariff rates for pilotage in Puget Sound and to urge the Board of Pilotage Commissioners to undertake immediate steps to substantially reform the current rate setting process.

Our region must remain competitive. In August of 2015, the ports of Seattle and Tacoma established The Northwest Seaport Alliance (NWSA) to unify management of marine cargo facilities and business, to strengthen the Puget Sound gateway and attract marine cargo and jobs for the region. This unprecedented move by the commissions of our two largest public ports was prompted in large part by the exceptionally challenging competitive environment we face. Together as The NWSA, we are strategically investing to serve the world's largest vessels, have established an Operations Service Center to ensure best in class service delivery and are drawing closer to our customers so as to deeply understand, anticipate and respond to their needs.

Our marine carriers are struggling financially. The industry's world-wide losses are projected to total \$5B to \$10B in 2016. System efficiency and cost control continues to drive much of the carriers' decision making. In response, we are keeping score of our gateway's performance, sharing the results and discovering new ways to improve services and reduce costs. One example is our implementation of an extended gate hour program whereby The NWSA reimburses a portion of the costs associated with evening and weekend gate moves. Through this program, we will invest up to \$2M to reduce terminal gate delays, truck queues and idle time during the current peak season.

Puget Sound Pilots plays a vital role in the overall logistics supply chain and remains an important resource to help inform the elements of our capital investment program. The pilots' training, skills and reliable delivery of services are critical to our collective success. Pilotage costs, while not the most expensive element of the supply chain, are a significant part of port call costs which continue to be a point of concern to The NWSA and to our customers. When selecting our gateway, carriers have options in terms of which rail carrier to use, which tug and stevedore company to employ and which terminals to call. There is only one available source of pilotage services in Puget Sound and it is alarming to us and to our customers that at this time

when pilotage revenues are at record levels, rate increases are being contemplated and that increases of as much as 7% are under consideration.

When bigger ships call our region, revenue per pilot assignment will climb. Future tariff rate decreases may be in order. We strongly believe tariff increases should only be made when necessary to ensure continued safe pilotage, should not be presumed as necessary each tariff year and should always be based on substantiated increases in the actual costs associated with service delivery.

I thank you for your leadership and service to our state and recognize and appreciate the challenges you face when grappling with issues and rendering decisions that have far reaching implications.

At this month's rate hearing, I urge you to make no increase in tariff rates and to soon after explore and implement ways to fundamentally change the basis by which rate adjustments are proposed and considered.

Sincerely,



John Wolfe
Chief Executive Officer

cc: Chuck Adams, Member, Board of Pilotage Commissioners
Ned Kiley, Member, Board of Pilotage Commissioners
Eleanor Kirtley, Member, Board of Pilotage Commissioners
Capt. Ed Marmol, Member, Board of Pilotage Commissioners
Capt. Don Mayer, Member, Board of Pilotage Commissioners
Philip Morrell, Member, Board of Pilotage Commissioners
Grant Stewart, Member, Board of Pilotage Commissioners
Sara Thompson, Member, Board of Pilotage Commissioners
Peggy Larson, Executive Director, Board of Pilotage Commissioners
Don Esterbrook, The Northwest Seaport Alliance
Lou Paulsen, The Northwest Seaport Alliance
Captain David Grobschmit, Puget Sound Pilots
Linda Styrk, Puget Sound Pilots
Captain Michael Moore, Pacific Merchant Shipping Association
Jordan Royer, Pacific Merchant Shipping Association