Exh. JR-28r
Docket TP-190976
Witness: Jordan Royer

BEFORE THE WASHINGTON

UTILITIES AND TRANSPORTATION COMMISSION

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| WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,<br><br>Complainant,<br><br>v.<br><br>PUGET SOUND PILOTS,<br><br>Respondent. | **DOCKET TP-190976** |

**EXHIBIT TO TESTIMONY OF**

**Jordan Royer**

**ON BEHALF OF**

**PACIFIC MERCHANT SHIPPING ASSOCIATION**

**Articles Re COVID-19**

May 27, 2020

*Revised July 8, 2020*

https://www.seattletimes.com/business/carnival-cruise-lines-cancels-remaining-2020-seattle-alaska-voyages/

# Carnival Cruise Lines cancels remaining 2020 Seattle-Alaska voyages

May 4, 2020 at 5:31 pm Updated May 6, 2020 at 11:14 pm


The Carnival Miracle, which shares the design of the Carnival Spirit, docked in Juneau, Alaska in 2013. The Carnival Spirit was scheduled to... (Becky Bohrer / Associated Press, File) **More**

By

Katherine Khashimova Long

*Seattle Times business reporter*

Carnival Cruise Lines has canceled its remaining Alaska voyages, dealing another blow to Seattle's coronavirus-battered cruise economy.

Between a no-sail order from the Centers for Disease Control and Prevention and a Canadian cruising moratorium, July 1 is the absolute earliest cruise ships could begin calling in Seattle again, according to the Port of Seattle.

The Carnival Spirit was scheduled to call in Seattle 11 times after that date, on its way to Alaska and Vancouver, British Columbia.

Each cruise vessel call supports $4.2 million in economic activity, according to the Port. Nearly 100 vessel calls have already been canceled to slow the spread of the coronavirus; 125 vessels are scheduled to call at Seattle in the latter half of the summer.

Cruising, which supports 5,500 regional jobs, has been one of the industries most hard-hit by measures to contain the spread of COVID-19, said Stephanie Jones Stebbins, the Port's maritime director, in a Port Commission meeting last week. Beyond cruise lines and passengers, the shutdown affects provisioners and the local tourism industry, which had been anticipating nearly 1.3 million people to pass through Seattle on their way to or from a cruise.

"When it is safe to start up, we are confident this will be an important part of the economic recovery of our region," Jones Stebbins said. "Port staff will be working with cruise industry and other travel partners to restart this business when it is safe to do so."

Carnival's shutdown extends beyond its Alaska routes. Other than eight vessels homeported in Florida, which will resume service Aug. 1, the company has suspended service on all routes departing from North American and Australian ports through Aug. 31.

"We are committed to supporting all public health efforts to manage the COVID-19 situation," the Carnival statement read. "We are taking a measured approach, focusing our return to service on a select number of homeports where we have more significant operations that are easily accessible by car for the majority of our guests."

In some instances, people infected on cruise ships have brought COVID-19 ashore and sparked new outbreaks of the disease, the CDC has said.

"People on a large ship, all together, at the same time, all the time — you couldn't ask for a better incubator for infection," Anthony Fauci, the nation's top infectious-diseases expert, said in February.

Seattle-headquartered Holland America Line, which is owned by Carnival, has suspended sailings through June 30 and will "continue to evaluate our ability to operate successfully this summer," said spokesperson Sally Andrews.

The four other cruise lines with Seattle itineraries — Celebrity Cruises, Norwegian Cruise Line, Royal Caribbean and Princess Cruises — did not respond to questions about whether they planned to continue sailing out of Seattle as scheduled when no-sail orders are lifted.

The Associated Press reported that the number of people visiting Alaska on cruise ships went from 480,000 in 1996 to almost 1.4 million last year, according to a report by state labor department economists Neal Fried and Karinne Wiebold. Mike Tibbles, with Cruise Lines International Association Alaska, said so far 419 voyages to Alaska, with a passenger capacity of 825,200, have been canceled.

***Katherine Khashimova Long:*** *206-464-3229 or kalong@seattletimes.com; on Twitter: @_katya_long.*

https://www.globenewswire.com/news-release/2019/12/12/1960111/0/en/Cruise-Lines-International-Association-CLIA-Releases-2020-State-of-the-Cruise-Industry-Outlook-Report.html

# Cruise Lines International Association (CLIA) Releases 2020 State of the Cruise Industry Outlook Report

## New report highlights unprecedented global economic impact and commitment to responsible tourism practices.

Email Print Friendly Share

December 12, 2019 13:49 ET | **Source:** Cruise Lines International Association

Washington DC, Dec. 12, 2019 (GLOBE NEWSWIRE) -- Cruise Lines International Association (CLIA), the world's largest cruise industry trade organization, is releasing the *2020 State of the Cruise Industry Outlook* report. According to the analysis, cruising sustained **1,177,000 jobs** equaling **$50.24 billion in wages and salaries** and **$150 billion total output** worldwide in 2018.

The report also finds an industry-wide commitment to responsible tourism practices, with a focus on environmental sustainability and destination stewardship. The report highlights the industry's **$22 billion investment** in the development of new energy efficient technologies, **partnerships with local governments** in key destinations, and a commitment to **reducing its rate of carbon emissions by 40%** by 2030 compared to 2008.

"While demand for cruising has reached new heights, the cruise industry is accelerating our efforts to be a leader in responsible tourism," said Kelly Craighead, president and CEO, CLIA. "Our members are at the forefront of best practices designed to protect the sanctity of the destinations we visit and enhance the experiences of travelers and residents alike."

Newly released data shows **32 million passengers** are expected to set sail in 2020. To meet ongoing demand, CLIA Cruise Lines are scheduled to debut **19 new ocean ships** in the upcoming year, resulting in a total of **278 CLIA Cruise Line ocean ships** projected to be in operation by the end of 2020.

Industry growth results in positive economic progress in communities around the world. According to the newly released *CLIA 2018 Global Economic Impact Analysis*, passengers spend **$376** in port cities before boarding a cruise and spend **$101** in each visiting port destination during a cruise. North America accounts for the highest rate of cruisers with **14.2 million** North Americans cruising in 2018.

"The industry's economic impact is a big part of the story, especially as it relates to our passengers' contributions to local economies and the diverse workforce onboard our ships," said Craighead. "We recognize that with growth comes increased responsibility to raise the bar in all aspects of what we do to ensure cruising remains a force for good and the best way to experience the world."

***2020 Cruise Industry Trends***

1. **Environmental Sustainability:** The development and identification of new technologies and cleaner fuels is a top priority for the cruise industry, which continues to make substantial investments in reducing environmental impact. CLIA's most recent *Environmental Technologies and Practice Report* shows significant progress towards the adoption of new and innovative practices, while the industry continues to explore new ways to increase efficiencies.
    - **Liquified Natural Gas** (LNG) – **44%** of new build capacity will rely on LNG fuel for primary propulsion
    - **Exhaust Gas Cleaning Systems** (ECGS) – **68%** of global capacity currently utilizes EGCS, while **75%** of non-LNG new-builds will have EGCS
    - **Advanced Wastewater Treatment Systems** – **100%** of new builds will have these systems in place
    - **Shore-side Power** – **88%** of new build capacity will have or be configured to add this ability.
    - **Additional Areas of Focus** – battery propelled vessels, advanced recycling practices, reduced plastic use, energy-efficient lighting, solar energy, and fuel cell.
2. **Destination Stewardship:** With increased demand and growth in the cruise industry comes responsibility to foster respect and cooperation with cruise destinations. In collaboration with local communities, the cruise industry is

exploring new and creative ways to manage the flow of visitors and implement the highest standards of responsible tourism including:
- Partnerships with local governments
- Staggered arrivals and departures
- Excursion diversification
- Shoreside power
- Local passenger spending

3. **Cruise and Stay**: The *State of the Cruise Industry Outlook* found more travelers are spending time in and near cruise ports. In fact, **65%** of cruise passengers spend a few extra days at embarkation or debarkation ports.
4. **Reduce Single-Use Plastic:** Travelers are taking sustainability to the seas**.** The study found that more than eight of ten cruise passengers recycle **(82%)** and reduce using single-use plastics **(80%)** while traveling. Seven out of ten cruisers also forego plastic straws.
5. **Generation Cruise Positive:** The attitude around cruising is changing, no matter the generation. More than **66 percent** of Generation X and **71% of Millennials** have a more positive attitude about cruising compared to two years ago.
6. **Lone Cruisers:** Marriage rates are declining and the number of single adults is growing globally. As a result, cruise lines are responding to the shift in passenger demographics by offering studio cabins, single-friendly activities, eliminating single supplements and solo-lounges.
7. **Micro Travel:** Trip durations are continuing to change, with many travelers looking for quick trips. Cruise lines are offering bite-sized cruises over a three-to-five-day period offering shorter itineraries to a variety of destinations.

For the full *2020 State of the Cruise Industry Outlook* findings, visit: **https://cruising.org/news-and-research/research/2019/december/state-of-the-cruise-industry-outlook-2020**.

**About Cruise Lines International Association (CLIA) – One Industry, One Voice**

Cruise Lines International Association (CLIA) is the world's largest cruise industry trade association, providing a unified voice and leading authority of the global cruise community. The association has 15 offices globally with representation in North and South America, Europe, Asia and Australasia. CLIA supports policies and practices that foster a safe, secure, healthy and sustainable cruise ship environment for the more than 30 million passengers who cruise annually and is dedicated to promote the cruise travel experience. The CLIA Community is comprised of the world's most prestigious ocean, river and specialty cruise lines; a highly trained and certified travel agent community; and cruise line suppliers and partners, including ports & destinations, ship development, suppliers and business services. The organization's mission is to be the unified global organization that helps its members succeed by advocating, educating and promoting for the common interests of the cruise community. For more information, visit www.cruising.org or follow Cruise Lines International Association on CLIA Facebook and Twitter pages.

###

https://www.joc.com/maritime-news/cma-cgm-lands-114-billion-state-backed-loan_20200513.html

# CMA CGM lands $1.14 billion state-backed loan

**Greg Knowler, Senior Europe Editor** | May 13, 2020 11:24AM EDT

CMA CGM will receive a $1.14 billion state-guaranteed loan that will improve the debt-burdened carrier's cash position as it struggles with falling demand brought on by the coronavirus disease 2019 (COVID-19).

The loan will free up cash for CMA CGM, which emerged from 2019 with debt levels of $17.8 billion that the carrier is urgently working to pare down following a $229 million loss for the year. The carrier in March extended its $535 million credit lines with Neptune Orient Line for another three years, giving it a little breathing room.

"I would like to thank the French authorities for having introduced this scheme so effectively and quickly," Rodolphe Saadé, chairman and CEO of the CMA CGM Group, said in a statement Wednesday. "This loan also shows the confidence our banking partners have in the CMA CGM Group's business model and strategy."

The Euro 1.05 billion syndicated loan was secured by CMA CGM from a consortium of three banks -- BNP Paribas, HSBC, and Société Générale -- and is part of France's state-guaranteed loan scheme established at the end of March in response to the coronavirus. The French government will guarantee 70 percent of the loan, which has an initial one-year maturity and an extension option for up to five additional years.

CMA CGM is expecting its volume to decrease 10 percent in the first half of 2020 year over year, a slightly more optimistic forecast than Maersk CEO Soren Skou's prediction this week that his carrier's second quarter volume will be down by up to 25 percent after a first quarter drop in volume of 3.2 percent.

To match the falling demand, the Ocean Alliance of CMA CGM, Cosco Shipping, OOCL, and Evergreen will blank a total of 28 sailings on Asia-North Europe comprising 437,031 TEU, and 16 sailings on Asia-Med, withdrawing 152,460 TEU, according to data from Sea-Intelligence Consulting. On Asia-US trades, the Ocean Alliance has so far canceled 60 sailings that have cut 578,115 TEU.

# HMM gets state bailout

Another debt-strapped carrier that has received a financial hand from the state is HMM. In April, the South Korean government said it would make $382 million (KRW 470 billion) available to HMM as part of a $1 billion emergency package for the Korean maritime sector. A spokesman for HMM told JOC.com the maturity extension of its current loans was “expected to account for a substantial percentage” of the government handout. The loan will provide urgently needed liquidity for the loss-making carrier that reported operating losses of $261 million in 2019.

Rolf Habben Jansen, CEO of Hapag-Lloyd, a partner of HMM within THE Alliance, said he had some sympathy for the South Korean government in making the bailout after the Hanjin bankruptcy in 2016.

“I don’t think it will massively disrupt the industry, but generally we should not have too many of these state bailouts and hopefully we will not see too much more,” he told reporters during a press briefing earlier this month.

https://www.joc.com/hmm-yang-ming-report-first-quarter-losses_20200515.html

# HMM, Yang Ming report first quarter losses

**Greg Knowler, Senior Europe Editor** | May 15, 2020 9:47AM EDT

Asian carriers Yang Ming and HMM continued their run of quarterly losses, with the coronavirus disease 2019 (COVID-19) impact on Chinese volumes dragging down their first quarter results.

Both carriers — loss-making through 2019 — are receiving state aid to help maintain liquidity through a crisis in demand brought on by COVID-19, with HMM set to receive $382 million from the South Korean government, and Yang Ming's board earlier this month approving a private placement of 300 million shares to raise capital.

HMM reported an 18.7 percent decline in the first quarter of container volume to 890,000 TEU, but cost-saving efforts and the securing of higher-yield cargo allowed revenue to remain flat at $1 billion, the carrier said in a statement. While HMM reported a net loss of $55 million, it was still a 63.2 percent improvement on the same quarter last year.

However, the carrier warned that the outlook for the year was uncertain. "The knock-on effects of the COVID-19 pandemic still persist," HMM said in its earnings statement this week. "Trade volumes are expected to be weakened as a result of demand-side impacts in the US and Europe, as well as continued lockdowns worldwide. Rising concerns over the US-China trade tensions related to geopolitical risks also can intensify the situation."

Taiwanese carrier Yang Ming Line reported a $27.15 million loss in the first quarter, with revenue falling 1 percent to $1.15 billion. Volume was down 4 percent year over year to 1.24 million TEU, while bunker fuel costs went up 5 percent as the IMO 2020 low-sulfur fuel regulation was implemented on Jan. 1.

"Coupled with the slow resumption of production after Lunar New Year, and the proactive service and space reduction plan instituted by THE Alliance in response to the

COVID-19 outbreak, container business earnings were weaker than expected," the carrier said in a statement.

# Canceled sailings also blanking revenue

Yang Ming is bracing for a difficult second quarter during which it expects reduced revenue because of large scale capacity withdrawals. However, according to credit agency Taiwan Ratings Corps, the carrier's link to the government will remain intact and the company will continue to benefit from favorable borrowing costs and liquidity support from banks in Taiwan. The state owns 48 percent of Yang Ming.

Despite the uncertain market outlook for the year, Alphaliner noted that both Yang Ming and HMM will raise their capacity over the next two years. Yang Ming is set to receive 14 new ships of 12,000 TEU each, and 10 ships of 2,800 TEU in 2020–22, while HMM will receive 12 new ships of 23,000 TEU — two of which have been delivered in the past weeks — and eight units of 15,000 TEU in the next 18 months.

The ships will sail into a bleak container shipping environment. Simon Heaney, container research senior manager at Drewry Shipping Consultants, said the anemic volume growth rates of 2019 will make way for double-digit slumps during the third and fourth quarter.

"The strength of the recovery will depend on the economic recovery measures and whether consumer confidence can be supported," Heaney said in a Drewry webinar this week. "We are seeing some countries starting to relax lockdown measures, but it is unlikely you will see an immediate return to business in the near term."

https://www.seattletimes.com/business/local-business/seattle-based-holland-america-line-announces-2000-layoffs-other-measures-as-coronavirus-halts-cruise-sailings-worldwide/

# Seattle-based Holland America Line lays off 2,000 workers, makes other cuts as coronavirus halts cruises

May 14, 2020 at 11:12 am Updated May 15, 2020 at 2:39 pm


Most of Holland America's landbound staff work in Seattle and Santa Clarita, California. Nearly half the company's workforce in... (Rebekah Welch / The Seattle Times) **More**

By

Katherine Khashimova Long

*Seattle Times business reporter*

Cruise line Holland America, headquartered in Seattle, will lay off close to 2,000 employees and will furlough or reduce the hours or pay of its remaining shoreside employees, the company announced Thursday.

The company did not respond immediately to questions about how many employees will be furloughed.

Most of Holland America's landbound staff work in Seattle and Santa Clarita, California. A company spokesperson declined to say how many employees Holland America has in the Seattle area, but said nearly half its workforce in the state has been laid off or furloughed.

A no-sail order from federal health officials means the company is not generating revenue, Holland America Line said in a statement. It's not yet clear when the U.S. moratorium on cruising, or similar measures in Canada, will be lifted. The cruise line canceled all of its voyages out of Seattle last week.

"These difficult decisions were necessary because our pause in global ship operations has extended well beyond what we could have ever predicted," the statement read.

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The staff reductions are the latest in a series of cutbacks by parent company Carnival Corp., the world's largest cruise company, which announced Thursday morning it planned to institute wide-ranging layoffs and furloughs across its brands.



"I make this decision knowing our best plan forward is to be in a position to ride out this adversity — in order to rise again as a vibrant firm that can call back those on furlough, restore salaries and bonuses, and regenerate the positive economic impact we have on so many of our other stakeholders that depend on our company," Carnival president and CEO Arnold Donald said in a letter to employees.

The company shed 1,300 workers in its Florida offices Thursday, about 45% of its shoreside workforce. Nearly two-thirds of those were laid off, The Miami Herald reported.

Holland America President Orlando Ashford announced Tuesday he would be out of the job by the end of the month, after sitting at the company helm for more than five years. The same day, Carnival laid off 450 employees of brands Cunard Line and P&O cruises in its United Kingdom offices, the BBC reported. Remaining employees took a 20% salary cut through November. The president of another Seattle-based Carnival cruise line, Seabourn, will also leave his post at the end of May.

In his letter, Donald noted other cruise lines acted more swiftly to lay off staff.

Royal Caribbean Cruises shed 26% of its shoreside staff in mid-April, followed by Norwegian Cruise Line Holdings, which furloughed 20% of its workers April 30.

The cruise industry as a whole has been pummeled by travel restrictions due to the novel coronavirus. Most large lines have canceled many of their sailings through the end of the year, in part due to the Centers for Disease Control and Prevention's March 14 ban on cruising, the first time the agency has ever ordered the cruise industry to halt operations. The ban is in place until at least July 24.



More than 30 vessels have reported outbreaks of the novel coronavirus, according to the CDC. At one point, infections among passengers returning from cruise voyages accounted for approximately 17% of total reported U.S. cases.

Meanwhile, 96,000 cruise workers remain stranded aboard ship as companies struggle to repatriate them while complying with international travel restrictions, Bloomberg reported.

Even as earnings plummet, cruise lines insist they are resilient. Passengers will return in the latter half of the year and into 2021, they say.

Norwegian, which has canceled all sailings until June 30, reported a net loss of $1.88 billion in the first three months of 2020, compared with net income of $118.2 million over the same period last year.

But in its quarterly earnings call Thursday, Norwegian executives sounded an optimistic tone, describing cruise demand “within historical ranges” starting from autumn onward, The Miami Herald reported.

“Our guests continue to demonstrate their desire for cruise vacations, and we continue to experience demand for voyages further in the future across our three brands,” CEO Frank Del Rio said.

Like many cruise lines, including Holland America, Norwegian is offering passengers on canceled voyages the choice between a full refund or future cruise credit worth well over the amount of the fare paid on the canceled trip. Passengers on vessels still scheduled to sail by Sept. 30 can cancel their trips, but aren’t eligible for a refund — only future credit.

Cruise company stocks have fallen about 75% so far this year.

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https://www.freightwaves.com/news/how-canceled-sailings-will-impact-us-ports-and-when?utm_campaign=American%20Shipper%20Daily%20Newsletter&utm_source=hs_email&utm_medium=email&utm_content=87425164&_hsenc=p2ANqtz-8fI4nwbvWkcJtNQbGrz3Qi_XcAq71OdklWpRG5fHs4s2LNl4aJSwu1QmlAbF52-v0aSrUpvD1sNpbwyKNnw3oxKikCCw&_hsmi=87425164

# How canceled sailings will impact US ports – and when

Greg Miller, Senior Editor Monday, May 4, 2020



Container lines have "blanked" (canceled) an unprecedented number of sailings to bring capacity in line with coronavirus-stricken cargo demand.

Blank-sailings data is a key leading indicator for U.S. ports, cargo shippers, truckers and railways. A container ship that doesn't depart from Asia equates to a container ship that doesn't arrive on the U.S. West Coast two to three weeks later, or on the East Coast four to five weeks later.

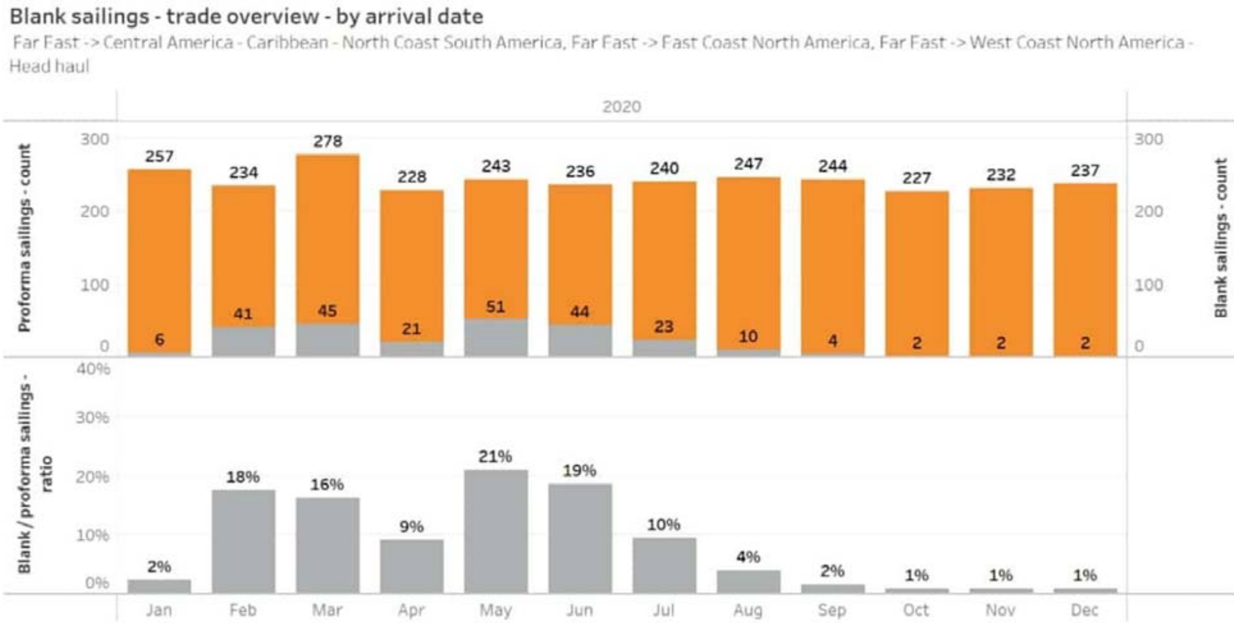
What matters to American businesses is U.S. port arrivals, not foreign departures. American businesses want to know exactly how much arrival capacity will be reduced, exactly when it will be reduced, and how this reduced capacity will compare year-on-year.

Copenhagen-based eeSea — a platform founded in 2016 that maps container-industry schedules — has provided a snapshot of this U.S.-arrivals-centric data on blank sailings to FreightWaves.

The latest information, updated on Sunday, shows changes to headhaul capacity from Asia to North America, as well as changes to mainline capacity to individual U.S. ports. Taken together, this data offers the clearest publicly available picture yet of how the coronavirus is affecting the container-shipping network that supplies America.

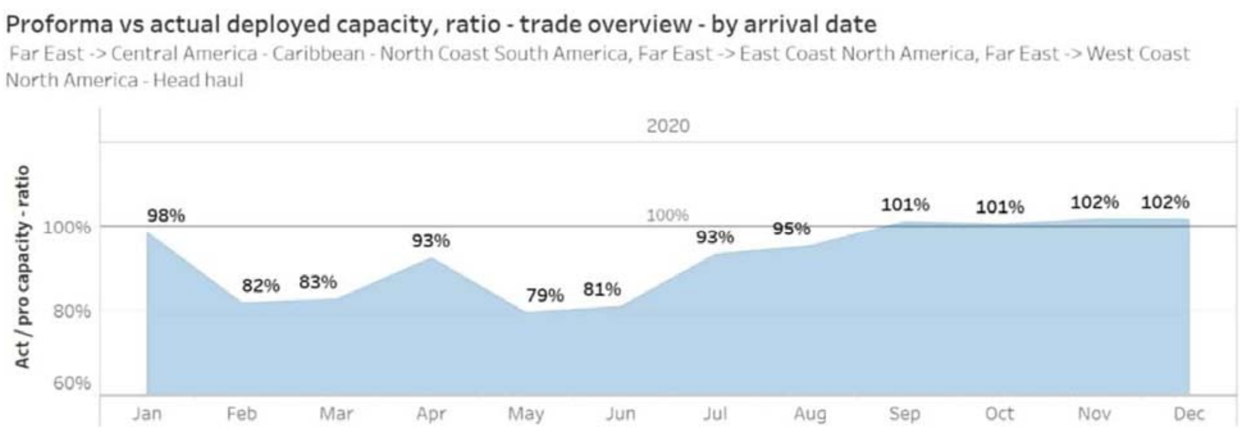
**Reduction in Asia-US sailings**

According to eeSea data, 51 of 243 scheduled North American arrivals from Asia have been cancelled this month; 44 of 236 next month; and 23 of 240 in July.

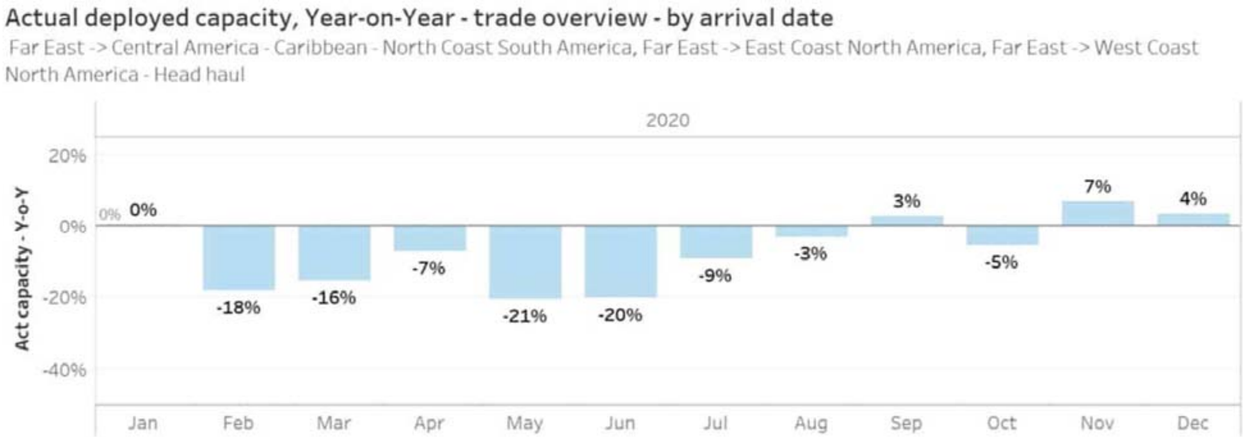



All charts credit: eeSea

Measured in twenty-foot-equivalent units (TEU), not number of sailings, headhaul capacity to North America from Asia is down 21% this month compared to the original (pro forma) schedules, 19% next month and 7% in July.




The TEU capacity that remains in place after canceled sailings is down 21% this month year-on-year. It is down 20% year-on-year in June, and 9% in July.




Major capacity reductions in May and June are telling — and ominous. Lower cancellation numbers starting in July do not prove a positive trend because the carriers have not decided on schedule changes that far out. May arrival numbers are set in stone, June numbers have room to creep up, and numbers for July and thereafter could increase substantially.

Simon Sundboell, founder and CEO of eeSea, told FreightWaves, "If you look at July arrivals, cancellations were only 2% three weeks ago and now they are around 10%. The question is whether July, August and September will go up to the 19-21% range. They could definitely go up.

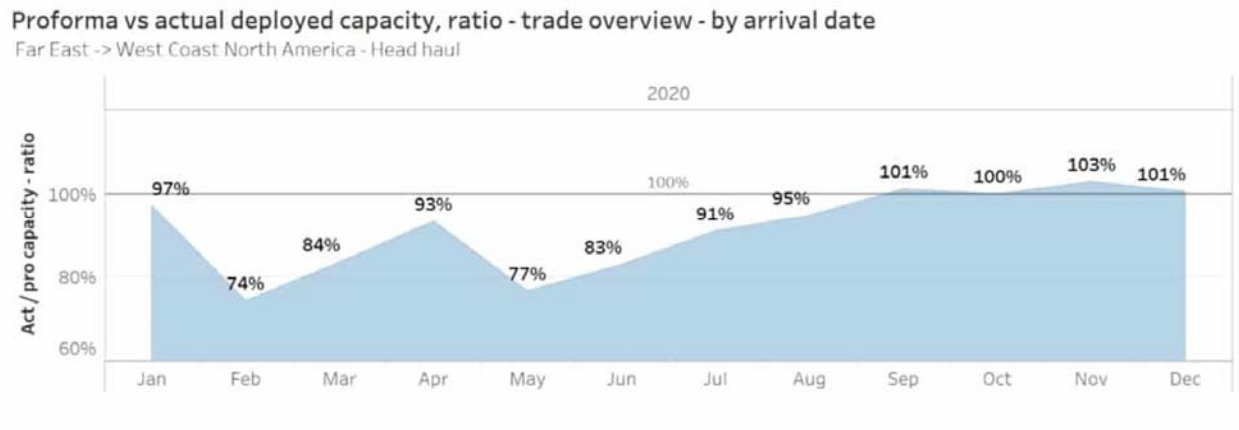
"The carriers already know what sort of [cargo] orders they have today, for example, for a ship leaving from Singapore three months from now, and they also know the capacity utilization they should be at for that ship three months before departure," he said.

If current bookings stay too low compared to historical norms, carriers increase blank sailings to compensate. "This is why blank sailings are a hugely important leading indicator," said Sunboell, who likened the data to a purchasing manager's index for container-line purchasing managers.

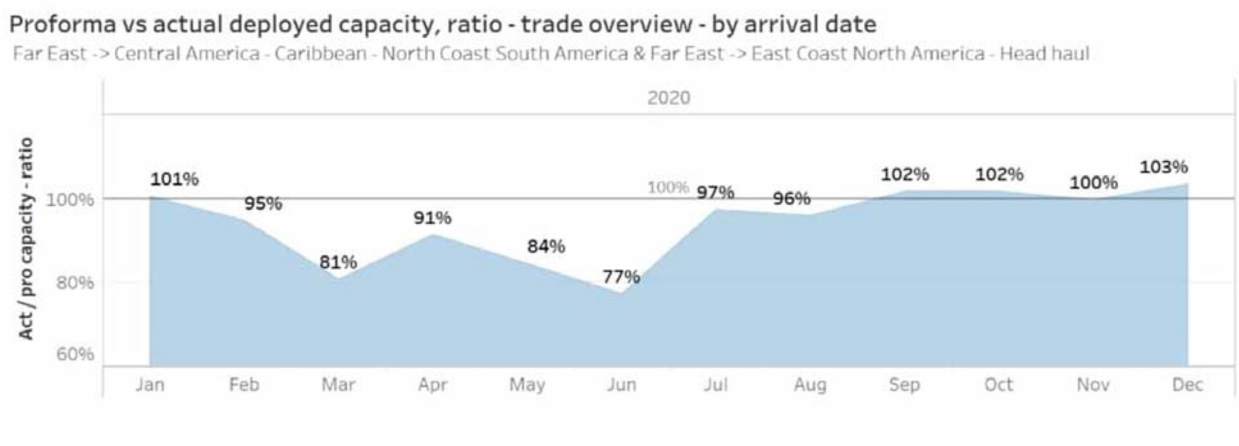
**West Coast versus East Coast**

The eeSea trade-lane data compares Asia-West Coast arrivals to Asia-East Coast arrivals. (The East Coast data includes arrivals to the Gulf Coast as well as arrivals in the Caribbean Basin transshipment region; the countrywide Asia-U.S. data includes Caribbean arrivals as well.)

Blank sailings will cut inbound TEU capacity to the West Coast by 23% this month and at least 17% next month.



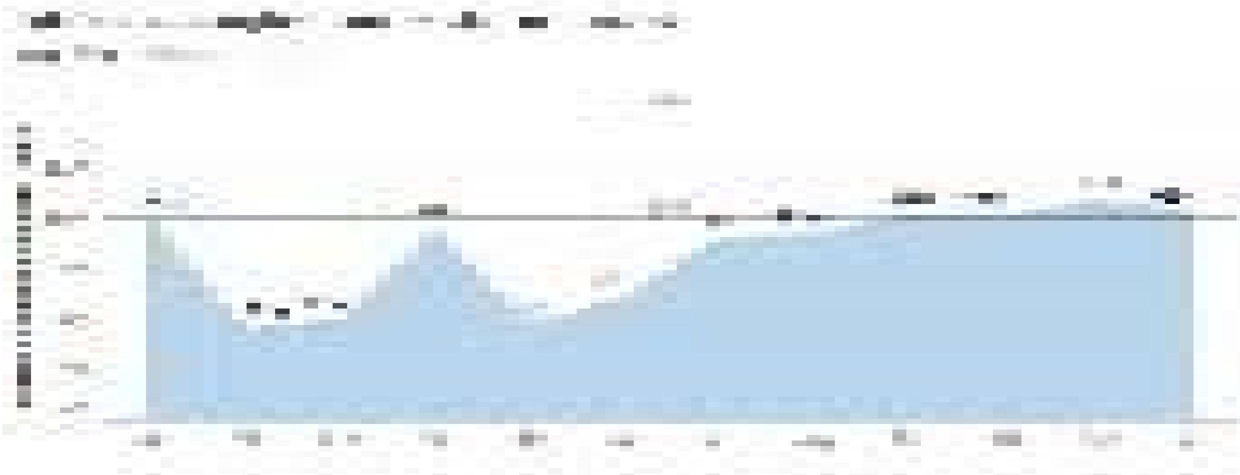

The pattern is different on the East Coast, possibly because of the longer transit times from Asia. Blank sailings will reduce this month's inbound capacity by 16% versus what was previously scheduled, and will lower next month's capacity by at least 23%.




**Sailing cancellations by arrival port**

The eeSea port-level data provided to FreightWaves covers schedule changes on all mainline east-west and north-south trades, but not feeder and intraregional voyages.

In Los Angeles/Long Beach, blank sailings have decreased this month's TEU capacity by 21% versus previously scheduled levels, and June's by 16%.



Declines are 12% this month in New York/New Jersey and 14% next month.

In Savannah, Georgia, capacity is down 16% this month versus what was previously scheduled, and down 19% next month.

Declines are 18% this month for arrivals in Charleston, South Carolina, and 17% next month.

**Interpreting the data**

The most important takeaway from the eeSea data is that container-ship capacity to the U.S. will definitely fall, and fall sharply, both this month and next month — and possibly thereafter.

Declines will range from the teens on the East Coast to around 20% on the West Coast, both in relation to what was previously scheduled, and to the same month last year.

There are a few caveats, however. First, capacity is a strong leading indicator of throughput trends, because it shows carriers' reaction to cargo demand, but ship-capacity reductions do not directly translate into volume reductions.

The relationship between capacity and volume depends on utilization — the percentage of available container slots on the ships that are used. If total ship capacity is reduced but average utilization is increased, TEU volume may fall at a slower rate than total ship capacity. If utilization decreases despite reduced total capacity, volume may decline faster than total capacity.

"There is not a one-to-one [correlation] between capacity and volume. The link between the two is utilization — which is the number everybody wants to know," said Sundboell.

A second caveat to the data involves the port numbers, particularly on the East Coast. On the West Coast, sailings are more focused on Los Angeles/Long Beach. On the East Coast, noted Sundboell, "A 10,000-TEU ship may call at New York/New Jersey, Norfolk [Virginia], Savannah, Charleston and Jacksonville [Florida]. It could be dropping off 2,000 TEU at each port, or 4,000 TEU in New York/New Jersey and 1,000 TEU in Norfolk."

The data would show that 10,000-TEU vessel as 10,000 TEU of capacity at each of those ports and schedule revisions would not show changes in that ship's cargo allocations among the individual ports.

**Value of blank-sailing data**

On an individual company level, Sundboell explained that blank-sailing data is important for trucking businesses seeking to match capacity to expected carrier throughput, to terminals needing to gauge demand for longshoremen and cranes, and for individual shippers on the lookout for supply-chain disruptions.

"I have never had my phone ring more than for this particular product," he exclaimed.

On a macro level, the greatest value of the blank-sailing data comes from monitoring it over time.

A month from now, if carriers have still not brought their July and August capacity cuts up to the 15-20% levels of May and June, it would imply that carriers see cargo demand rebounding — a positive signal on the coronavirus recovery.

If monthly capacity cuts remain persistently high at around 20%, or increase even further, the implications for the U.S. economy would be dire. ***Click for more FreightWaves/American Shipper articles by Greg Miller*** https://www.kiro7.com/news/local/norwegian-cruise-line-is-warning-it-may-be-forced-out-business/XCPJTNWCCBETPFNUCRRGLK4424/

# Norwegian Cruise Line is warning it may be forced out of business

VIDEO: Travel agent believes cruise industry will recover

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By: Siemny Kim
Updated: May 5, 2020 - 8:20 PM

This was how the Norwegian Bliss kicked off its first Alaska cruise in 2018 — with skydivers parachuting into Puget Sound.

But the industry is now at a standstill because of COVID-19. There's a no -sail order by the CDC after many passengers got sick and even died on board some cruise ships.

Norwegian Cruise Line is now warning it has substantial doubt about its future as it tries to raise money to survive during this pandemic.



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"I'm not too concerned they're not going to be here or be running as Norwegian. It just might be they have to go through a bankruptcy to shave costs and repair things back to a sustainable financial model for them," said Steve Danishek of TMA Travel in Seattle.

Even if Norwegian Cruise Line pulls back on its sailings, he doesn't think Seattle will be affected.

"Seattle is a key market. The Alaska market is a key market for NCL and the cruise lines to sail here. It's a money market for them. It's a safe market," added Danishek.

Despite that, Carnival Cruise Line announced it's ready to start some voyages from U.S. ports in August but notably left Seattle off the list.

That means a lot of money lost for Puget Sound. This year, the Port of Seattle was expecting a record number of 1.3 million passengers.

According to the Port, each homeport vessel call is worth $4.2 million to the local economy.

Danishek believes the industry will recover.

"We're thinking 12-18 months for full recovery. So I think, assuming 2020 is shot, 2021 should be fairly strong," Danishek said.

July is the earliest cruises could start up in Seattle. The Port said that's 60% of the cruise season left.

https://www.nwseaportalliance.com/stats-stories/cargo-stats/5182020/nwsa-container-volumes-april-slide-24-due-global-pandemic

# NWSA container volumes in April slide 24% due to global pandemic

## All terminals in Seattle and Tacoma remain open and operational

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May 18 2020

The Northwest Seaport Alliance handled 247,675 twenty-foot equivalent units (TEUs) in April 2020 as total container volumes declined 23.5% year over year. The economic fallout from the COVID-19 pandemic continues to disrupt the global supply chain. Compared to April 2019, full imports declined 13.9% while full exports decreased 17.6%.

During the first four months of 2020, the NWSA handled 1,036,556 TEUs. Our gateway experienced a total of 39 void sailings through April, driven by the lingering trade dispute with China and the global coronavirus pandemic. As a result, total container cargo volumes are down 17.5% year to date.

Our total year-to-date domestic container volumes dipped 2.7%. Alaska and Hawaii volumes declined 2.5% and 4%, respectively.

As seaports play a critical role in supporting the nation's economic recovery, all marine cargo terminals in Seattle and Tacoma remain open and operational. We continue to work closely with our terminal operators, labor, warehouse companies and supply chain partners on customized COVID-19 solutions to ensure the gateway operates at a high level.

Other cargo highlights:

- Breakbulk cargo volumes were down 0.9% year over year to 90,010 metric tons.
- NWSA auto volumes year to date were 46,224 units, down 7.8% year over year.

View the April 2020 cargo reports:

- Container volumes – April 2020
- Cargo statistics – April 2020

## About The Northwest Seaport Alliance

The Northwest Seaport Alliance is a marine cargo operating partnership of the ports of Seattle and Tacoma. Combined, the ports are the fourth-largest container gateway in North America. Regional marine cargo facilities also are a major center for bulk, breakbulk, project/heavy-lift cargoes, automobiles and trucks.

## Media Contact

253-428-8674

https://www.portseattle.org/news/port-seattle-expects-delay-start-2020-cruise-season

# Port of Seattle Expects Delay in Start of 2020 Cruise Season

Update on the Port's COVID-19 response Learn More.


March 24, 2020

Maintaining the health, safety, and wellbeing of our community is the Port of Seattle's top priority. The Port now expects the launch of the cruise season will be delayed until the resolution of the public health emergency.

"We know that social distancing is our only real weapon against the COVID 19 virus. "At a time when Governor Inslee has ordered all Washingtonians to 'Stay Home, Stay Healthy,' we must consider public health and safety above all else," said Port of Seattle Commission President Peter Steinbrueck. "The eventual return of our cruise season is something we fully expect as an important contribution to living wage jobs, local small businesses, and our region's economic recovery. We also recognize the critical role Seattle cruise plays in supporting the Alaska economy for over 20 years."

Seattle cruise is integral for local suppliers that provide homeport vessels with goods and supplies, with travelling guests spending time in the region before or after their cruise. Each homeport sailing creates approximately $4 million in regional business activity, with a full cruise season generating nearly $900 million statewide and supporting 5,500 jobs.

"The loss and impact of these sailings will ripple through the tourism industry and our regional economy—however, we understand the Port of Seattle's hard but necessary decision," said Tom Norwalk, Visit Seattle President and CEO. "We appreciate the Port's commitment to re-evaluate the 2020 cruise season as the situation evolves, and Visit Seattle will help lead the economic recovery and work in tandem with the Port of Seattle."

The start of Seattle's cruise season will depend on the status of the public health emergency and the advice of local, state and federal public health officials. The CDC has issued a nonessential travel warning and a temporary no sail order for cruise ships, and the State and King County have imposed a number of strict limitations to limit the spread of COVID-19.

In conjunction with public health officials and our cruise line partners, the Port will regularly reevaluate this situation as the nature of this crisis evolves. Once the public health emergency ends and it is deemed safe, we believe that the launch of cruise in Seattle will provide critical economic relief to many struggling businesses in our region and beyond. Even when cruise season resumes, the Port will be working with public health officials, cruise lines and others to ensure that strong protective measures are in place to prevent future health issues on cruises that would impact travelers and local residents, such as pre-screening before boarding and stronger quarantine measures for on-board illness.

For those travelers with plans to cruise during this impacted period, please contact your cruise line regarding your itinerary.

## Contact

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https://www.alaskapublic.org/2020/04/14/princess-cancels-cruises-wont-operate-its-alaska-lodges-buses-and-trains-this-summer/

# Princess and Holland America cancel most of their Alaska cruises, won't open lodges this summer

By
**Tegan Hanlon, Alaska Public Media - Anchorage**
-
April 14, 2020

The Royal Princess. (Photo courtesy of Princess Cruises)

Two cruise lines announced Tuesday that they're canceling most of their Alaska sailings this summer, and won't operate lodges and sightseeing buses in the state as they continue to wrestle with the coronavirus pandemic and its impacts.

The announcements serve another blow to Alaska's economy, and mean the loss of thousands of seasonal jobs.

"This global outbreak continues to challenge our world in unimaginable ways," said a statement from Jan Swartz, president of Princess Cruises, a global cruise and tour company.

Princess Cruises says it's canceling all of its 2020 Princess Alaska Gulf cruise and cruisetours for the season, and more widely extending its cancellation of all of its voyages worldwide through at least the end of June.

Swartz said it's not viable for the company to operate its five Alaska lodges, trains and buses given the shortened season.

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"We deeply regret that we won't be able to employ the approximately 3,500 teammates who help show our guests the great land each summer," she said. "Our thoughts are also with all of our small business partners throughout Alaska who we've supported every summer for decades."

Princess Cruises operates lodges in Fairbanks, Cooper Landing, Copper Center and the Denali area.

"We know these decisions will have a large adverse economic impact on the state of Alaska which relies on tourism," Swartz said.

*Get the latest coverage of the coronavirus in Alaska*

Swartz said the company remains optimistic that its Emerald Princess and Ruby Princess ships will be able to offer round-trip cruises from Seattle to Southeast Alaska in the late summer. It will re-evaluate those plans in the weeks ahead.

The cruise line had announced in March that it was pausing all of its operations for at least two months. It says it's offering guests credit or refunds.

**Related**: *Cruise lines are taking bookings for an Alaska cruise season that might not even happen*

The Centers for Disease Control and Prevention renewed its no-sail order for cruise ships last week, and it could stay in place for 100 days. The agency is also recommending Americans defer cruise ship travel because passengers are at an increased risk of person-to-person spread of diseases, including COVID-19.

Canada has closed its ports to cruise ships through July 1, and the Port of Seattle has delayed the launch of the cruise season "until the resolution of the public health emergency."

Citing continued port closures and travel restrictions stemming from the pandemic, Holland America Line also announced Tuesday that it's suspending all of its global operations and sailings through at least the end of June.

In addition, it's canceling its Alaska cruises on five ships for the entire summer: the Maasdam, Noordam, Oosterdam, Volendam and Westerdam.

In total, Holland America called off 110 of its sailings to Alaska by Tuesday, about 83%, the company said.

Holland America also canceled land excursions in the state for the season, and says it will not operate The McKinley Chalet Resort, McKinley Explorer rail cars and tour buses this summer.

"These are unprecedented times," Orlando Ashford, president of Holland America, said in a statement. "Having to delay summer cruising and cancel our land tours for the entire season is the responsible thing to do, yet also very disappointing and a first in our more than 70 years of taking guests to Alaska."

**RELATED:** *Port of Seattle suspends cruise ship season "until the resolution of the public health emergency."*

The cruise line operates at least two other ships, the Eurodam and Koningsdam, with online itineraries to sail to Southeast Alaska later in the season, in August or September.

Ashford said the company looks "forward to better days and returning to a full summer cruising season in 2021."

Other cruise lines have also suspended their operations, impacting Alaska, including Viking Cruises and Carnival Cruise Lines, according to Cruise Lines International Association Alaska. The association estimates that 360 of all voyages are now canceled for the 2020 Alaska cruise season, about 60%.

*Reach reporter Tegan Hanlon at thanlon@alaskapublic.org or 907-550-8447.*

https://www.seattletimes.com/seattle-news/politics/coronavirus-crisis-could-knock-210-million-to-300-million-hole-in-seattles-budget-city-says/

# Seattle projects coronavirus crisis could knock $210M to $300M hole in city budget

April 21, 2020 at 2:29 pm Updated April 22, 2020 at 11:36 am

Seattle Mayor Jenny Durkan says the coronavirus crisis may cause Seattle to collect $210 million to $300 million less than expected in tax revenue... (Erika Schultz / The Seattle Times) **More**

By
Daniel Beekman

*Seattle Times staff reporter*

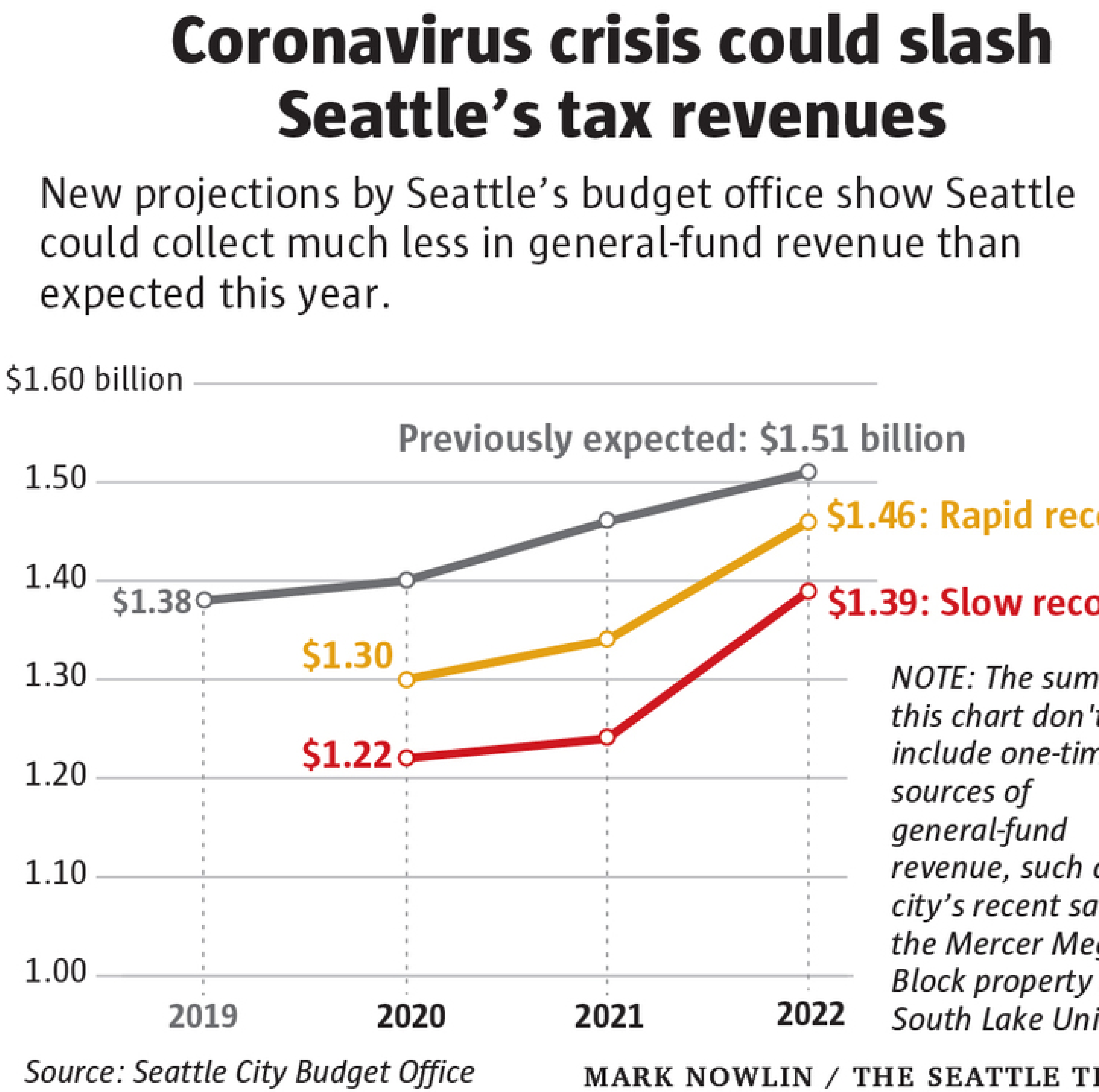
New projections say the coronavirus crisis may cause Seattle to collect $210 million to $300 million less than expected in tax revenue this year, knocking a gaping hole in the city's budget, Mayor Jenny Durkan announced Tuesday.

The city's general fund, which pays for basic services such as parks, libraries and police, could be hit by as much as $186 million, while some other revenue sources that pay for related services could be rocked by up to $114 million.

Seattle's total budget is $6.5 billion this year, including $1.5 billion in general-fund spending, up from $5.9 billion in 2019. Large amounts of money outside the general fund can only be raised and spent by the city's utilities, and on construction inspections and road projects.

The new projections are worse than a month ago, when the budget office predicted a $110 million general-fund shortfall.

"This probably will be the toughest economic climate our city has faced in multiple generations," Durkan said during an online news conference. "What the city is going to have to do is going to be very tough."




Tuesday's projections are based on "rapid recovery" and "slow recovery" economic forecasts that indicate the Seattle region could see 65,000 to 170,000 "jobs lost" and reach 8% to 18% unemployment this year, according to a presentation by the city's budget office.

In either case, impacts are likely to linger into 2024, budget director Ben Noble said in the news conference.

Seattle's general fund relies heavily on property tax, sales-tax and business-tax revenue. Property tax collections should remain more stable (though some homeowners may struggle to pay), but sales- and business-tax collections are expected to plunge this year, as are real estate excise-tax collections.

In the slow-recovery scenario, according to the budget office, the city could collect: $65 million less than expected in sales tax; $58 million less in business tax, $34 million less in court and parking fees and fines; $23 million less in parks fees and $34 million less in real estate excise tax, among other reductions.

Seattle sucks up large amounts of sales tax from the city's construction and retail-entertainment sectors, which have been kneecapped during the pandemic. People are still buying groceries, but those are exempt from sales tax, Noble noted. Construction projects already underway are likely to continue. But new projects may be less likely now, he said.

The city's taxes on event admissions, short-term rentals and sugar-sweetened beverages, collected outside the general fund, are smaller sources of revenue. But they could see particularly dramatic shortfalls because the pandemic has nearly shut down tourism, restaurants and bars. For example, Seattle could collect 70% less admissions tax than expected, according to the budget office.

Economic conditions are uncertain and still changing rapidly, Noble said. The city is relying on models at this point because taxes are collected monthly, annually or twice a year.



“We don’t actually, as we sit here, have any meaningful revenue data from the crisis period,” Noble said. “We’re working in the dark.”

Yet the models are reliable enough to cause major concern, he added.

Seattle leaders are trying to decide how to bridge the city’s growing budget gap, but there are a lot of moving pieces, Durkan and Noble said.



Seattle has about $67 million in an emergency fund (designated for surprise expenses) and about $61 million in a revenue stabilization account sometimes referred to as the “rainy day fund” (kept for shortfalls), according to the budget-office presentation.

The city could try to plug its budget gap by reallocating some property-tax levy dollars and by seeking additional state and federal assistance. Tuesday’s projections account for some help already on the way, including allocations expected through Coronavirus Aid, Relief and Economic Security Act passed by Congress, Noble said. But the city is lobbying for more relief. Seattle already has shelled out $15 million for emergency shelter, meals, hygiene services and other urgent needs, and it intends to spend much more and hopes to have those expenses mostly reimbursed.

Last month, Durkan instructed her departments to stop spending on travel, training and consulting projects; to stop hiring; and to curb spending not related to the coronavirus crisis, she said.



Seattle isn't allowed to engage in deficit spending but may lean more on debt to cover capital expenses, Durkan and Noble said. No city-employee layoffs are planned at this point, the mayor said.

"We're not at a juncture yet where we'd reduce the workforce, but we're looking carefully" at the budget projections while talking with union representatives, she said.

City Councilmembers Kshama Sawant and Tammy Morales have proposed a new payroll tax on large businesses, saying the measure could raise as much as $500 million a year. The council's budget committee is scheduled to discuss that proposal Wednesday.

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Sawant and Morales have said their tax couldn't be collected right away but could underwrite $200 million in coronavirus relief payments to Seattle households this year, were the city to initially borrow from levy funds.

Durkan sought to throw cold water on that idea Tuesday.

"The payroll tax that is being considered right now by the City Council is not available in any way, shape or manner to address our budget shortfalls this year or next year," she said. "There are no ways or mechanisms or tricks to somehow magically have money appear."

Seattle's tech industries are holding up better than many others. Stay-home orders are keeping Amazon busy during the pandemic.

The downturn could catch up with the tech sector as consumers tighten their belts, and some companies in Seattle may allow more remote work when the public-health emergency is over, Durkan said.

"Seattle is going to have to fight to get those people back into Seattle doing their work," she said.

***Daniel Beekman:*** *206-464-2164 or dbeekman@seattletimes.com; on Twitter: @dbeekman. Seattle Times staff reporter Daniel Beekman covers Seattle city government and local politics.*

International Trade
The Seattle Times

# Puget Sound cargo shipping drops sharply as coronavirus pandemic stalls trade

May 18, 2020 at 5:16 pm | *Updated May 18, 2020 at 6:08 pm*

Mount Rainier looms large over the Port of Seattle as seen from the Bainbridge Ferry in this file photo. Cargo shipments were sharply down in April... (Bettina Hansen / The Seattle Times)
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By Katherine Khashimova Long
*Seattle Times business reporter*

As cargo volumes to major Washington ports fall amid the coronavirus pandemic, shippers are canceling sailings and ports are shutting their gates to trucking operations some days of the week, causing backups, delays and container shortages.

Total containerized shipping volume fell by 23.5% last month compared with April 2019 — the steepest slide since the start of the pandemic, confounding port officials' initial expectations trade could begin to normalize in the second quarter after March's nosedive.

For the year so far, container trade is down 17.5%. Seven more ships canceled sailings in April, bringing the number of so-called blank sailings to 39 for the year. The Northwest Seaport Alliance, the marine cargo partnership between the ports of Seattle and Tacoma, expects another 18 vessel cancellations between now and the beginning of July.

The canceled sailings "create a ripple effect across the whole supply chain," Alliance CEO John Wolfe said in a news conference. "Purchasers could be experiencing delays in the arrival of their cargo based on inconsistent sailing schedule."

Overall, canceled sailings have cut vessel capacity by roughly 30%, said Peter Ku, Seattle-based branch manager at OEC Group, a global freight forwarder. "Space is very tight right now," he said. "There's a lot of people having issues getting [goods] onboard."

In part, global shipping firms cut sailings to keep rates high before the time came in May to sign new annual contracts with exporters, Ku said, as overseas production plummeted during the coronavirus lockdown. Trade between the United States and China had already been snarled by a long-running trade war that caused American exports to China of some goods, like soybeans, to fall nearly 75% from the start of the tariff dispute.

Compared with last year, full imports were down just under 14% and full exports fell 17.6%. The biggest driver behind last month's low cargo volumes was a colossal drop in empty container shipments, Wolfe said — international imports and exports of empties both fell nearly 60% year-over-year.

That could spell havoc for future trade. Exporters rely on a steady supply of empties at port to send their cargo overseas.

"Will the import containers be there so our guys can scramble to find them? That's something we're going to have to wrestle with going ahead," said Bruce Abbe, a trade adviser with the Specialty Soya and Grains Alliance, a nationwide industry group for food-grade soybean and grain companies that rely on containerized cargo. "We're seeing spot shortages of containers in some locations. Unreliable delivery time is a concern for us now."

Washington farmers are also having trouble finding empty containers to export their produce.

In the past three months, Washington agricultural exporter F.C. Bloxom has had to delay shipments "two or three times" because the company has been unable to locate empty refrigerated containers, said traffic manager Bryan Gonzalez.

"Normally, that would never happen," he said.

Less cargo coming in and going out means less work for truckers, too, said Brandon Beetham, the vice president of trucking industry group Washington Trucking

Associations.

At many companies, trucks are now running only a few days a week, Beetham said. “These are challenging times indeed.”

Meanwhile, truckers are stuck in backups as long as six or seven hours at cargo terminals in Seattle and Tacoma, up from two hours before the pandemic. Fewer vessels calling at port mean terminals have closed their gates to truckers some days of the week — creating pileups when they are open.

In March, officials anticipated shipping from Asia would return to normal as factory production picked up. At that point, the NWSA plotted just seven blank sailings in April and May.

But by mid-April, the picture had worsened significantly.  Wolfe forecast “soft” numbers going forward — though at the time, domestic trade still looked strong. Buoyed by strong demand in Alaska for essentials like groceries, domestic shipping in March rose 3% over 2019.

Those gains were wiped clean last month. Domestic trade dropped roughly 8% in April, including an almost 11% fall in Alaska shipping.

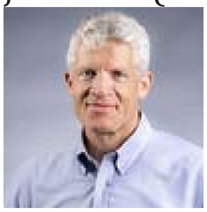
***Katherine Khashimova Long:*** *206-464-3229 or kalong@seattletimes.com; on Twitter: @_katya_long.*

https://www.seattletimes.com/business/economy/washington-adds-more-than-116000-unemployment-claims-even-as-state-reopens-from-coronavirus/

# Unemployment claims in Washington state during coronavirus pandemic top 1 million

May 14, 2020 at 6:47 am Updated May 14, 2020 at 7:57 pm


Businesses on Fourth Avenue and Pike Street in downtown Seattle are boarded up, as seen on Wednesday. State officials expect claims for jobless... (Steve Ringman / The Seattle Times) **More**



By

Paul Roberts

*Seattle Times business reporter*

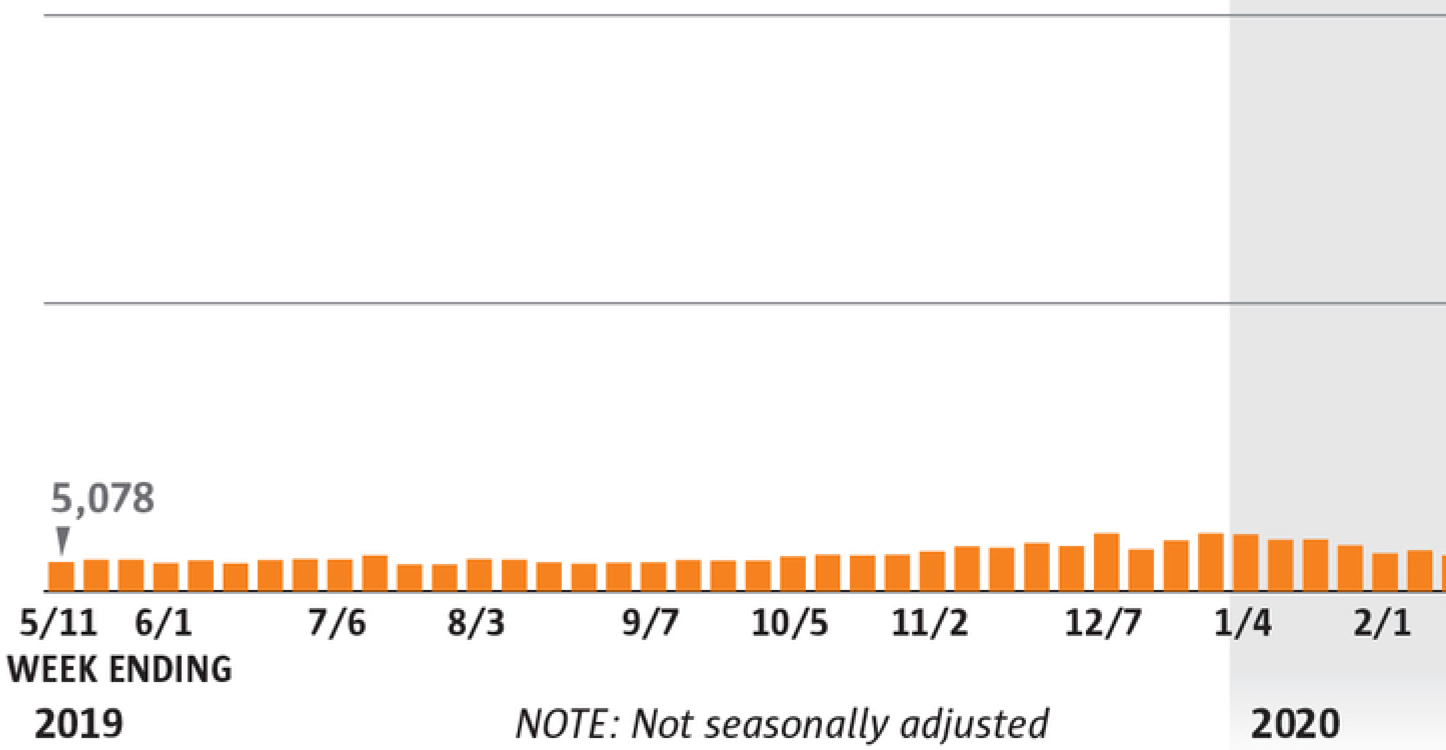
More than a million workers in Washington have filed for unemployment benefits or related assistance since early March, a grim milestone as the state continues to grapple with the unprecedented economic damage from the coronavirus pandemic.

State officials expect claims for jobless benefits will decline over coming months as Washington continues to reopen its shuttered economy. But "for now, these [jobless numbers] represent our new normal," Suzi LeVine, Employment Security Department (ESD) commissioner, said at a Thursday news conference after the state released the latest claims data.

For the week ending May 9, the ESD received 109,425 initial weekly claims for unemployment insurance — an 8.6% increase from the previous week and a clear reminder that the job market will likely lag behind the state's efforts to emerge from the coronavirus-induced shutdown.

## New unemployment claims for Washington state, by week

Claims in the week ending May 9 rose 8.6% from the prior week. Nationally, the U.S. Labor Department reported a 6.1% decrease in initial claims from the prior week.




*Source: state Employment Security Department*

MA

Washington was among the few states reporting an increase in jobless claims. The nation as a whole saw 2.98 million initial unemployment claims last week, down 6.1% from the prior week, the Labor Department reported Thursday.

Roughly 36 million people nationwide have sought jobless aid in just the two months since the coronavirus first forced businesses to close down and shrink their workforces. The figures point to a job market gripped by its worst crisis in decades and an economy that is sinking into a deep downturn.

A total of 1,027,292 workers in Washington, or roughly 1 in 3, have filed for unemployment benefits or related assistance since March 7, when layoffs began surging amid the pandemic, according to the ESD. That's up from 810,538 the prior week, in part as the state has processed more claims for special federal assistance to workers who would not normally be eligible for state unemployment benefits.



The latest claims data comes as Washington and most other states move toward fewer coronavirus-related restrictions on some business activities.

Last week, Gov. Jay Inslee announced that nonessential retailers can reopen for curbside pickup in the first of the state's four-phase reopening plan. The governor also said landscapers and pet walkers could return to work and that five counties — Columbia, Ferry, Garfield, Lincoln and Pend Oreille — could move to the second phase of reopening because they have fewer than 75,000 people and hadn't reported a confirmed COVID-19 case in three weeks.

Phase 2 is expected to begin for most areas on June 1, provided public-health data looks favorable.

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The state also reported on Thursday that it has paid nearly $2.9 billion in benefits since March 7, including $767 million last week alone. Of the 1,027,292 individuals who have filed unemployment claims, 751,149 have received benefits. Many individuals who have not been paid have failed to file necessary claims, made mistakes in their claims or need to have their claims more closely reviewed by the department, ESD officials say.

That last category includes Bremerton resident Matthew Preus, 63, who lost his job as a car salesperson in March and said his unemployment claim has been stalled in the ESD's "adjudication" process since mid-April. Last week, he said, the ESD cleared up one of three issues holding up his claim, but hasn't indicated when he can expect resolution of the final two. In the meantime, Preus said, he has applied for food stamps.

"This is the first time I've ever needed public assistance," said Preus, who said he has worked since he was 13. "That's a crushing blow for a guy like me."



Last week, LeVine announced a new effort to clear the roughly 57,000 claims that were under review. On Thursday, she said that number had dropped to 48,000.

That was welcome news for Evan Flay, 31, a strength and conditioning coach in the Issaquah area who is waiting on claims he filed in late March.

"It's frustrating, but we're healthy and there's lot of people who are worse off," said Flay, adding that he's tried to maintain his perspective given the scale of the task the state faces. "No one could have foreseen millions of people all hitting unemployment all at once."

*The Associated Press contributed to this report.*

https://www.cbc.ca/news/canada/north/skagway-coronavirus-cruise-ship-season-1.5498107

# Skagway, Alaska, preparing for 'worst-case scenario' cruise ship season

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'At stake is more than just a cruise ship season,' says mayor of Skagway, Alaska

Steve Silva · CBC News · Posted: Mar 16, 2020 6:00 AM CT | Last Updated: March 16

Skagway, Alaska, pictured in 2019. The community is about a two-hour drive from Whitehorse, and many cruise ship passengers visit Yukon through Skagway. (Steve Silva/CBC)

1

comments

The forecast for the upcoming and economically crucial cruise ship season — if one occurs at all — at an Alaskan community, near Yukon, is significantly more modest than previous years'.

"We've been hoping for the best but preparing a worst-case scenario," Skagway Mayor Andrew Cremata said on Friday.

"Everyone's reeling, and that goes for the rest of the nation."

The community is about a two-hour drive from Whitehorse, and many cruise ship passengers visit Yukon through Skagway.

On Friday, the federal Transportation Minister Marc Garneau announced that cruise ships with 500 people or more on board, including crew members, won't be allowed to dock at Canadian ports between April 2 and July 1.

A file photo of a cruise ship in Skagway, Alaska. Cruise ship season in Skagway usually runs between approximately May to October. (Claudiane Samson/Radio-Canada)
The move is one of several meant "to prevent the spread of COVID-19," he tweeted.

Cruise ships that visit Skagway can carry thousands of passengers, and Cremata said his understanding is that, now, no cruise ships will stop in Skagway.

- **Yukon tourism operators brace for impact of COVID-19 this summer**

The reason why Canada's decision is a problem for cruise lines is because of U.S. law, he said. Foreign-flagged cruise ships have to stop at the port of a foreign country when travelling between U.S. destinations.

So, in this context, a trip between Alaska and Washington state would require a stop at a port in British Columbia, for example.

Skagway Mayor Andrew Cremata said on Friday that they are preparing a worst-case scenario. (Submitted by Andrew Cremata)

"We're putting some pressure on our federal delegation to see if they could persuade congress to override that law for a certain period of time so that, potentially, vessels could leave the Port of

Seattle, and we would still get cruise ships in front of that July 1 date, but that's up in the air," Cremata said.

"And it also hinges on what happens with the Port of Seattle. If the Port of Seattle does a similar closure, then that whole effort is moot anyway. So we're bracing for not having any cruise ships until after July 1."

Cruise ship season in Skagway usually runs between approximately May to October. Cremata said the community was expecting a record 1,100,000 visitors and 454 cruise ship visits this year.

If the ships returned by July 1, that would leave about 60 per cent of the cruise ship season intact, he said, but there would be fewer passengers and cruise lines may only send 50 per cent of their ships.

Skagway's population was 1,148 last July, according to the U.S. Census Bureau.

"At stake is more than just a cruise ship season here, because so many of our year-round businesses and year-round residents rely on seasonal income to be able to survive through the winter months," Cremata said.

"We have to protect the fabric of our community by doing whatever we can to ensure the viability of our year-round businesses."

A cruise ship in Skagway, Alaska. Skagway's population was 1,148 last July, according to the U.S. Census Bureau. (Claudiane Samson/Radio-Canada)

A task force has been created to try to figure out the repercussions on local small businesses, along with what economic assistance they may need to stay afloat.

"We do have rainy day funds for just this kind of situation, and it is raining," Cremata said.

- **Yukon, Alaska officials in talks on future of Skagway ore dock**

He said he thinks the municipal government has more than $25 million in reserves, which would keep it running for several years.

The municipal government hasn't yet determined how those funds will be used, but it will look at using them to create an economic stimulus package.

The community of Skagway has been talking about diversifying its economy, including through expanding its industrial port said Mayor Andrew Cremata. (Steve Silva/CBC)

Once the government is confident the community is healthy and protected, the intention is to direct more advertising dollars for a closer audience, including people in other Alaskan communities, Seattle, and Yukon, Cremata said.

He suggested getting to experience the community in a far less tourist-heavy atmosphere as a selling point.

The community has also been talking about diversifying its economy, including through expanding its industrial port, Cremata said.

https://www.wsj.com/articles/some-shipping-lines-may-not-survive-downturn-hapag-lloyd-chief-says-11588612964?mod=djemlogistics_h

# Some Shipping Lines May Not Survive Downturn, Hapag-Lloyd Chief Says

## Chief of Germany's Hapag-Lloyd expects an uncertain recovery late this year and lots of pain until then


A Hapag Lloyd AG container ship is loaded at a shipping terminal in Hamburg, Germany, in 2017. Some container shipping companies may collapse if the global trade downturn stemming from coronavirus lockdowns extends to the end of the year or beyond, Hapag-Lloyd CEO Rolf Habben Jansen said.

BIMMER/REUTERS
By
Costas Paris

Some container shipping companies may collapse if the global trade downturn stemming from coronavirus lockdowns extends to the end of the year or beyond, the head of Germany's biggest shipping company said.

“The shape of the recovery is very uncertain,” Hapag-Lloyd AG Chief Executive Rolf Habben Jansen, said in an interview. “We are cutting costs as much as we can to counter the missing volume and to have sufficient liquidity.”

The shipping lines that handle the biggest share of the world’s international trade in retail and manufactured goods have canceled up to a quarter of their sailings since late February amid extensive lockdowns and collapsing demand in the U.S. and Europe.

“In the last four weeks, volumes are under a lot of pressure,” Mr. Jansen said. “This will continue for the coming weeks, and hopefully from the third quarter there will be a slow but steady recovery. But it’s very difficult to predict at this point on whether it will come in July or in September.”

The world’s top 10 liner companies, which collectively handle more than three-quarters of the world’s oceangoing container trade, are looking at steep losses from the falling business, Mr. Jansen said.

“We are looking at a difficult second and third quarter. If a recovery starts in the third quarter, all the top 10 liners will be standing at the end of the year. If it’s going to take longer, then it may become more difficult for some” to survive, he said.

Germany’s Hapag-Lloyd, the world’s fifth-largest container line by capacity, according to industry data group Alphaliner, has canceled about 15% of its scheduled sailings on major ocean trade routes, including Asia-Europe and trans-Pacific operations.

The cancellations are adding to the turbulence in supply chains. Containers filled with goods have piled up at some ports and delivery of many shipments has slowed as carriers have curtailed operations to cut costs. Exporters in some Western countries are reporting shortages of containers as inbound trade has stalled, leaving them without boxes to repack and ship out.

“When you take out capacity, you take out entire services. If you are a customer, it creates difficulties,” Mr. Jansen said.

He said shipping lines have had to cope with sudden country closures that left cargo stranded on ships for extended periods and outbound cargoes sitting at warehouses and terminals.

“All of a sudden, India shut down. The cargo flows, particularly exports, came to a standstill. From one week to another, your volume goes down by more than half and there is a significant impact,” Mr. Jansen said.

He said about 20% of booked containers aren’t showing up at cargo terminals, making it difficult for carriers to plan, and the share of no-shows could grow to 35% to 40% in coming months. He expects companies to start stockpiling more goods to give themselves a buffer against the uncertainty in supply chains.

“Importers will henceforth take in a bit more inventory,” Mr. Jansen said. “Right now, most is just-in-time cargo and any disruption causes serious trouble.”

Some carriers are trying to preserve cash by taking longer trips around Africa instead of crossing the Suez Canal, saving on canal toll costs that can reach around $500,000 for a single big ship. With fuel prices sliding under the crash in oil prices, the cost of the longer sailing makes sense, Mr. Jansen said.

The Suez Canal Authority has introduced discounts ranging from 6% to 75%, depending on the route, to lure back customers.

Hapag-Lloyd has thousands of land-based employees working from home and has frozen management salaries and returned leased ships to charterers. It is not looking at layoffs for now.

But the carrier is pushing back an order of six megaships that move more than 20,000 containers each, to add to the six it already operates. Those megaships are the big losers with volumes crashing since many are sailing half full, giving up the benefits operators gain from the ships’ economies of scale.

https://www.joc.com/international-logistics/global-sourcing/top-us-shippers-mexico-increasingly-popular-source-us-electronics-imports_20200512.html

# Top US Shippers: US electronics importers turn to Mexico

**Bill Mongelluzzo, Senior Editor** | May 12, 2020 4:13PM EDT

*(The following story appears in the Top 100 US Importers and Exporters issue of the Journal of Commerce print magazine.)*

A doubling of US electronics imports from Mexico last year bodes well for growing investment in cross-border production of laptop computers, television sets, and servers as the industry responds to tariffs on imports from China and the impact of the COVID-19 crisis.

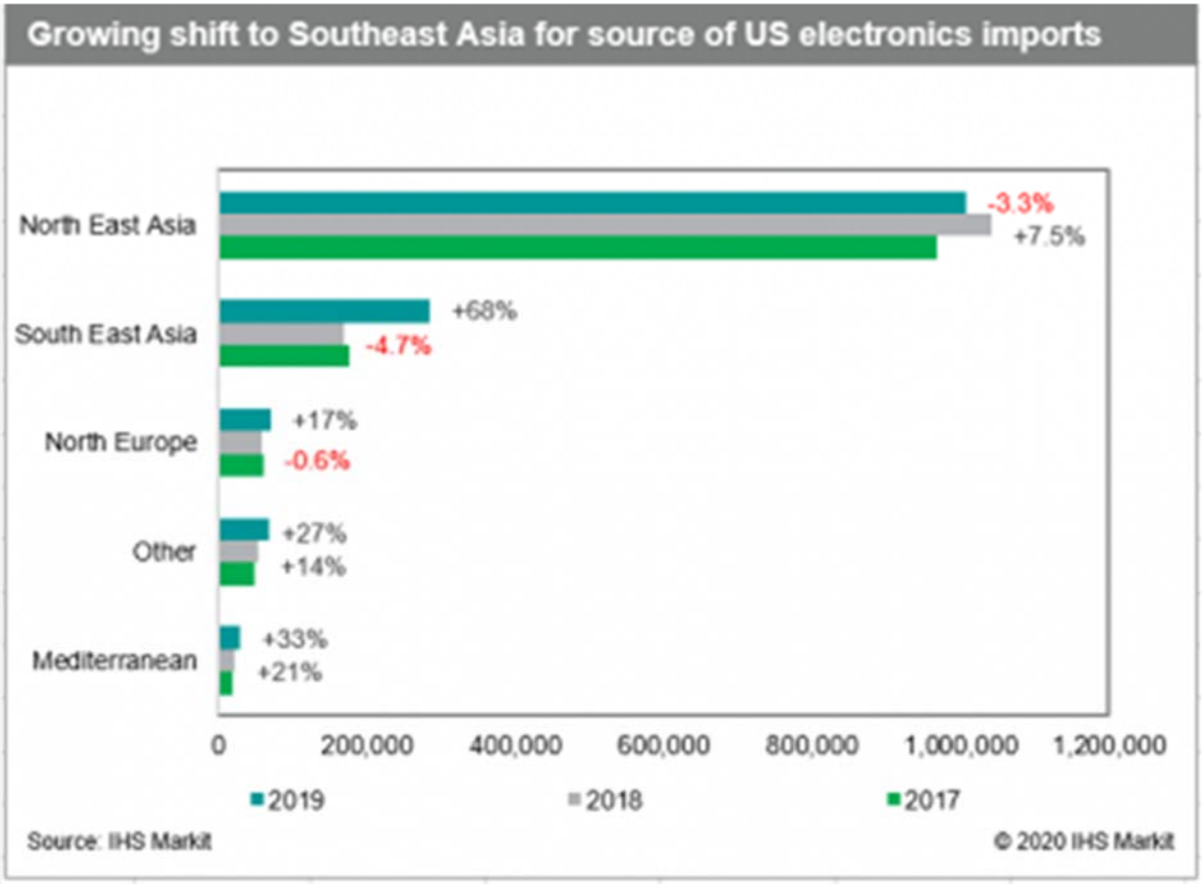
US imports of electronics from China dropped 4.5 percent year over year in 2019, while imports from Mexico surged 112 percent, according to PIERS, a sister product of JOC.com within IHS Markit.

Southeast Asia continues to be the primary location for electronics production that is leaving China after four rounds of US import tariffs on Chinese-made goods implemented over the past two years. US electronics imports from North Asia dropped 3.3 percent last year, while imports from Southeast Asia jumped 68.8 percent, according to PIERS.

The production of smaller items, including many wireless products, moved mostly to Southeast Asia, led by Vietnam, while larger items such as desktop computers and televisions are increasingly being assembled in Mexico, according to Jack Chang, managing director of JUSDA Supply Chain Management, a non-vessel operating common carrier (NVO) specializing in electronics transportation and warehousing.

“Vietnam took the wireless products from China. It was an easy move,” said Chang. Linking the components' manufacturers within Asia was easier than moving production of those products overseas, he said. As a result, US electronics imports from Vietnam surged 157.8 percent year over year in 2019, while imports from Malaysia and Thailand increased 59.1 percent and 32.4 percent, respectively.

There is an established and growing network in North America for the production of desktops and televisions, so Mexico’s proximity to those suppliers and to the US market makes assembly of those items in the region a logical move. “You can just truck it in,” said Paul Bingham, director of transportation consulting at IHS Markit.

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Bingham also noted that Mexico has free trade agreements with a number of countries and regions, including Latin America, Europe, and Pacific Rim nations, so finished products exported from Mexico have the competitive advantage of low tariffs. “It’s a hidden part of the story: risk management as regards tariffs,” he said.

US imports of electronics were relatively strong in 2019, increasing 8.4 percent from 2018. The increase was close to twice the five-year compound average growth rate of 4.3 percent, according to PIERS.

One of the factors contributing to the strong growth was a strategy by importers to build up their inventories in North America as US tariffs on imports from China were expanded from late 2018 through 2019. That trend is continuing into 2020, serving as an impetus to manufacturers and assembly plants to stockpile components, Chang said.

“There is an overbuying. Warehouses are filling up with components,” he said. Chang noted that Lists 1, 2, and 3 of the Section 301 tariffs covered components, while List 4 applied to finished electronic goods. “The warehouses are stocking more goods should the market come back.”

Chang noted that although Section 301 tariffs are causing an exit of some production out of China, a number of manufacturers prefer to stick it out. China remains by far the largest source of US electronics imports, which last year totaled 817,451 TEU, more than seven times the volume of second-place Vietnam at 105,370 TEU. Malaysia was in third place with 71,321 TEU, according to PIERS.

# Steady migration

Although he expects the trend of shifting electronics-related manufacturing from China to other regions to continue, Chang said it will be a slow process because the contract manufacturing and production of components have to be located in the same region to establish a critical mass of manufacturing.

“The entire ecosystem has to move,” he said. That will present logistical challenges for manufacturers in the hiring and training of workers and arranging new supply chains for those components that cannot be produced in proximity to the new manufacturing or assembly locations, he added.

Chang added that NVOs are following the shifting of production because in some cases they have access not only to a full menu of ocean transportation services, but also warehousing and ground transportation.

Although air freight is a popular transportation strategy for smaller, high-priced, time-sensitive shipments, disruptions caused by the coronavirus disease 2019 (COVID-19) are hurting air freight’s image as a reliable transportation mode, Bingham said. Hundreds of international passenger flights remain grounded, which has slashed air cargo capacity, and prices have spiked with the reduced capacity, he said.

Some importers and NVOs are relying more than ever now on expedited ocean services, such as Matson’s China-Long Beach express (CLX) service, Chang said. The CLX loop features a 10-day transit from Shanghai, about two days shorter than most trans-Pacific services. Because Matson-SSA Marine operates the terminal in Long Beach, Matson can also offer guaranteed pickup times for cargo owners using the express service.

Growing imports from Southeast Asia are reflected in double-digit increases in electronics volumes at East and Gulf Coast ports, at the expense of West Coast ports such as Los Angeles, Long Beach, and the Northwest Seaport Alliance of Seattle and

Tacoma. Imports of electronics in 2019 increased 12.6 percent in New York-New Jersey, 22.8 percent in Savannah, 14.8 percent in Norfolk, 32.1 percent in Charleston, and 52.2 percent in Houston, according to PIERS.

Electronics imports through Los Angeles and Long Beach in 2019 decreased 0.3 percent on aggregate, and 15.3 percent in Seattle-Tacoma. Electronics imports in Oakland increased 15.3 percent. As production in Asia shifts from China to Southeast Asia, all-water services to the East Coast via the Suez Canal become more cost-competitive for East Coast ports.